

Australia Pacific Airports (Melbourne) Pty. Limited

ACN 076 999 114

APAM Financial Statements - 30 June 2024

Australia Pacific Airports (Melbourne) Pty. Limited
Directors' report
30 June 2024

The Directors of Australia Pacific Airports (Melbourne) Pty. Limited (APAM or the Company) ACN 076 999 114 submit herewith the annual financial report of the Company for the financial year ended 30 June 2024.

Principal activities

During the financial year, the principal activity of the Company was the ownership and management of Melbourne Airport.

Review of operations

FY2024 has delivered a significant milestone for the Company, with 35.1 million passengers passing through Melbourne airport, a 14.1% increase on the year ended 30 June 2023, and the full restoration of international capacity to Melbourne and Victoria.

Melbourne Airport was the first capital city airport in Australia to surpass pre-pandemic levels of international capacity, with growth in key markets such as India and Vietnam, and the arrival of a significant new player in Turkish Airlines. A total of 11.0 million international passengers travelled through Melbourne Airport, a 33.3% increase on the year ended 30 June 2023, resulting from a focus on rebuilding and growing capacity across new and existing markets.

The Airport welcomed 24.1 million domestic passengers in the year ended 30 June 2024, a 7.0% increase on the prior year, with leisure routes continuing to perform strongly.

Melbourne Airport is Victoria's gateway to the world and with Melbourne now Australia's largest city, we are working to meet the demand that growth places on us. The capital program across the precinct continues to progress to cater for passenger demand. Notable milestones during the year included:

- Novotel and ibis Styles hotel construction was completed to meet the demand of a growing passenger base;
- continued construction of the Northern Infill Security Enhancement project, which will deliver a significant upgrade in international baggage systems, including additional capacity;
- stage 1 of the Elevated Road and Forecourt development completed in July 2023, with the opening of a one-way elevated road connecting the Tullamarine Freeway, which links Melbourne CBD to the Airport, directly through to the T4 Transport Hub, reducing congestion during peak periods. Stage 2 of the program has commenced construction in April 2024 and will deliver further capacity and safety enhancements to the road network within the Airport precinct; and
- the airfield maintenance program continued with the one in ten-year replacement of pavement on runway16/34 completed.

Financial results:

The Company delivered a full recovery of financial performance, with operating profit of \$820.9 million for the year ended 30 June 2024 (30 June 2019: \$753.8 million, 30 June 2023: \$676.4 million).

Operating Profit (\$m)	Jun-24	Jun-23	Jun-19 (pre-COVID)
Operating profit	820.9	676.4	753.8
Revenue (\$m)	Jun-24	Jun-23	Jun-19 (pre-COVID)
Aeronautical	512.7	418.5	412.8
Retail	173.1	127.0	183.5
Ground Transport	233.0	219.4	206.3
Property	133.3	121.2	116.1
Outgoings/ recharges	37.4	48.4	39.2

Strong passenger performance delivered significant uplift in revenue across aeronautical, retail and ground transport with property revenue increasing in the period due to annual rent escalations and new developments. The reduction in outgoings/ recharges related to recovery of costs for the Melbourne Airport Rail project no longer operating in the period, offset by a corresponding reduction in costs.

Operating costs, excluding security passthrough costs, increased by \$11.5 million. The uplift is a result of increased cleaning and operational costs aligned to the recovery of passenger volumes, maintenance to support the Melbourne Airport Business Park and an increase in the expected credit loss provision.

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Borrowing costs increased by \$32.4 million in FY24 as a result of increasing interest rates and additional debt, offset by an increase in interest income of \$12.7 million from cash on deposit.

The Company returned a profit after tax of \$298.4 million for the year (30 June 2023: \$139.4 million). Carry forward tax losses from prior periods have been fully utilised in the year with the Company being in a tax payable position of \$42.2 million as at 30 June 2024.

APAM's balance sheet remains strong with \$1,982.0 million of liquidity at balance date including undrawn bank facilities of \$1,400.0 million and cash of \$582.0 million. Market readiness activities are underway to access capital markets to fund the FY25 capital program. The Company continues to be compliant with financial covenants for the year ended 30 June 2024.

Operating cash inflows for FY24 were \$603.3 million on the back of strong passenger numbers and revenue performance (30 June 2023: \$466.6 million and 30 June 2019: \$446.3 million).

Investing cash outflows of \$789.8 million for the period reflect the groups ongoing capital works, with the increase in comparison to the prior year (30 June 2023: \$501.0m) attributable to the uplift in construction activity.

Net financing cash outflows of \$217.2 million include debt repayments of \$976.0 million and dividend payments of \$308.4 million, partially offset by \$1,081.1 million drawdown of debt. Debt repayments in the period were made from funds raised under the EMTN program in FY23.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Dividends

The Directors are proposing a final dividend for the year ended 30 June 2024 of \$53,693,745 (\$0.537 per share) to be paid in September 2024 (2023: \$139,224,000). In March 2024, an interim dividend of \$169,151,000 (\$1.692 per share) was declared and paid for the year ended 30 June 2024.

Events occurring after balance sheet date

On 30 July 2024, the Rex Group, which owed the Company \$6.4 million as of 30 June 2024, entered into administration. In response, the Company has made a provision for the full receivable amount in its financial statements for the year ended 30 June 2024. The adjustment reflects the uncertainty surrounding the recovery of the debt, which became apparent after the year-end but prior to the financial statements being finalised.

On 8 and 15 August 2024, APAC entered into interest rate hedging contracts commencing September 2024 and maturing in 2029 and 2031 with a total notional value of \$500.0 million to manage its exposure to fluctuations in interest rates on its floating-rate borrowings.

No other matters or circumstances have occurred between the balance sheet date 30 June 2024 and the date of issuance of these financial statements that would require adjustment to or disclosure in the financial statements.

Directors

Name	Position	Period of directorship
Lorie Argus	Chief Executive Officer	Appointed 1 July 2022
Jai McDermott	Chief of Ground Transport, Property & Retail	Appointed 30 June 2023
Ruth Martin	Chief Financial Officer	Appointed 2 October 2023
Grant Devonport	Chief Financial Officer	Appointed 1 March 2019, resigned 2 October 2023

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Meetings of Directors

The number of meetings of the Company's Board of Directors (the Board) held during the year ended 30 June 2024, and the number of meetings attended by each Director were:

	Held	Full Board Attended
Lorie Argus	3	3
Jai McDermott	3	3
Ruth Martin	1	1
Grant Devonport	2	2

Those attended by the Company Secretary were:

	Held	Attended
Aaron Gant	3	3

Future developments

The Company's future developments and operations are included within the Master Plans of Melbourne Airport (2022). The documents, published every five years, include setting the strategic direction for the airport, providing plans for development, documenting to the public the intended uses of the sites and development proposals and ensuring compliance with environmental legislation and standards.

Formal approval of APAM's 2022 Master Plan was obtained in November 2022.

Environmental regulation

In relation to environmental matters, the Company is subject to the Airports Act 1996 (Cth) (the Act) and the Airports (Environment Protection) Regulations 1997 (the Regulations). The Company is satisfied that the results of environmental monitoring conducted by internal and external specialists during the year ended 30 June 2024 demonstrate compliance with the Act and the Regulations in all material respects.

Like other airports around Australia, fire-fighting foams containing per- and poly- fluoroalkyl substances (PFAS) have historically been used by Airservices Australia at Melbourne Airport. Melbourne Airport continues to investigate, manage and monitor PFAS.

Indemnity and insurance of officers and auditors

Each officer (including each Director) of the Company is indemnified, to the maximum extent permitted by law, against any liabilities incurred as an officer of the Company pursuant to agreements with the Group. Each officer is also indemnified against reasonable costs (whether legal or otherwise) incurred in relation to relevant proceedings in which the officer is involved because the officer is or was an officer.

The Company has arranged to pay a premium for a Director's and officer's liability insurance policy to indemnify Directors and officers in accordance with the terms and conditions of the policy.

This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the insurer, the limit of liability and the premium paid for this policy.

The auditor of the Company is in no way indemnified out of the assets of the Company.

No application has been made and no proceedings have been brought or intervened in on behalf of APAM under section 237 of the Corporations Act.

Auditor's independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

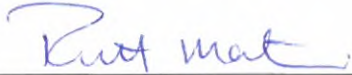
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Rounding of amounts

The Company is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that instrument all financial information has been rounded to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Directors.

On behalf of the Directors



Mrs. Ruth Martin
Director

28 August 2024
Melbourne

28 August 2024

The Board of Directors
Australia Pacific Airports (Melbourne) Pty Limited
Level 2, Terminal 2
Melbourne Airport VIC 3043

Dear Board Members,

Auditor's Independence Declaration

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 (Melbourne) Pty Limited.

As lead audit partner for the audit of the financial report of Australia Pacific Airports (Melbourne) Pty Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

Australia Pacific Airports (Melbourne) Pty. Limited
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General information

The financial statements reflect Australia Pacific Airports (Melbourne) Pty. Limited as a single entity. The financial statements are presented in Australian dollars, which is Australia Pacific Airports (Melbourne) Pty. Limited's functional and presentation currency.

Australia Pacific Airports (Melbourne) Pty. Limited ACN 076 999 114 is a proprietary company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Level 2, Terminal 2,
Melbourne Airport VIC 3043
(03) 9297 1600
website: www.melbourneairport.com.au
Email: reception@melair.com.au

A description of the nature of the Company's operations and its principal activities are included in the Directors' report.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 August 2024.

Australia Pacific Airports (Melbourne) Pty. Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Revenue			
Aeronautical		512,654	418,520
Security	5	96,031	72,414
Retail		173,122	127,000
Ground Transport		232,988	219,366
Property		133,285	121,208
Outgoings/recharges		37,421	48,365
Other income		6,835	5,965
Profit on sale of fixed assets		19	23
Total revenue		<u>1,192,355</u>	<u>1,012,861</u>
Expenses			
Staff costs		(71,722)	(68,354)
Security	5	(94,199)	(70,651)
Services and utilities		(125,082)	(105,297)
Maintenance costs		(32,077)	(28,363)
Administration and marketing costs		(19,139)	(17,395)
Other costs		(13,368)	(31,141)
Software as a Service expense		(7,990)	(15,895)
Allowance for expected credit losses		(7,894)	651
Total expenses		<u>(371,471)</u>	<u>(336,445)</u>
Operating Profit		820,884	676,416
Change in fair value of investment property	11	95,299	(1,187)
Borrowing costs	4	(284,402)	(251,966)
Interest income		24,931	12,203
Depreciation, amortisation and impairment losses	4	<u>(230,390)</u>	<u>(237,565)</u>
Profit before income tax expense		426,322	197,901
Income tax expense	6	<u>(127,930)</u>	<u>(58,547)</u>
Profit after income tax expense for the year		298,392	139,354
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		<u>11,409</u>	<u>12,473</u>
Other comprehensive income for the year, net of tax		<u>11,409</u>	<u>12,473</u>
Total comprehensive income for the year		<u><u>309,801</u></u>	<u><u>151,827</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Australia Pacific Airports (Melbourne) Pty. Limited
Statement of financial position
As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		581,977	985,625
Trade and other receivables	7	145,994	136,346
Derivative financial instruments	15	55,451	223,146
Income tax receivable		-	21
Accrued revenue	8	41,228	40,809
Other assets	9	39,908	47,802
Total current assets		<u>864,558</u>	<u>1,433,749</u>
Non-current assets			
Property, plant and equipment	10	4,007,513	3,559,648
Investment properties	11	2,513,098	2,281,721
Intangible assets	12	669,589	670,421
Derivative financial instruments	15	145,418	210,940
Accrued revenue	8	279,157	162,355
Other assets	9	4,650	2,048
Total non-current assets		<u>7,619,425</u>	<u>6,887,133</u>
Total assets		<u>8,483,983</u>	<u>8,320,882</u>
Liabilities			
Current liabilities			
Payables	13	369,339	212,448
Borrowings	14	564,635	1,197,293
Income tax payable		42,179	-
Employee benefit provisions		25,139	22,209
Derivative financial instruments	15	-	264
Lease liabilities	17	1,287	1,287
Unearned income		8,377	8,987
Total current liabilities		<u>1,010,956</u>	<u>1,442,488</u>
Non-current liabilities			
Payables	13	-	1,250
Borrowings	14	5,388,429	4,927,571
Deferred tax liability	6	745,660	664,571
Employee benefit provisions		1,651	1,823
Derivative financial instruments	15	109,950	53,828
Lease liabilities	17	1,835	2,447
Unearned income		19,615	22,442
Total non-current liabilities		<u>6,267,140</u>	<u>5,673,932</u>
Total liabilities		<u>7,278,096</u>	<u>7,116,420</u>
Net assets		<u>1,205,887</u>	<u>1,204,462</u>
Equity			
Issued capital	19	100,000	100,000
Hedging reserves	20	(11,889)	(23,298)
Retained profits		<u>1,117,776</u>	<u>1,127,760</u>
Total equity		<u>1,205,887</u>	<u>1,204,462</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Australia Pacific Airports (Melbourne) Pty. Limited
Statement of changes in equity
For the year ended 30 June 2024

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	100,000	(35,771)	988,406	1,052,635
Profit after income tax expense for the year	-	-	139,354	139,354
Other comprehensive income for the year, net of tax	-	12,473	-	12,473
Total comprehensive income for the year	-	12,473	139,354	151,827
Balance at 30 June 2023	<u>100,000</u>	<u>(23,298)</u>	<u>1,127,760</u>	<u>1,204,462</u>
	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2023	100,000	(23,298)	1,127,760	1,204,462
Profit after income tax expense for the year	-	-	298,392	298,392
Other comprehensive income for the year, net of tax	-	11,409	-	11,409
Total comprehensive income for the year	-	11,409	298,392	309,801
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid	-	-	(308,376)	(308,376)
Balance at 30 June 2024	<u>100,000</u>	<u>(11,889)</u>	<u>1,117,776</u>	<u>1,205,887</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Australia Pacific Airports (Melbourne) Pty. Limited
Statement of cash flows
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers		1,202,446	1,061,265
Payments to suppliers and employees		(364,978)	(402,802)
Interest received		30,501	5,453
Interest paid		(251,103)	(197,326)
Income tax paid		(13,557)	-
Net cash from operating activities	23	603,309	466,590
Cash flows from investing activities			
Payments for investment property		(136,078)	(101,494)
Payments for property, plant and equipment		(653,717)	(396,937)
Payments for intangibles		(16)	(2,594)
Proceeds from sale of property, plant and equipment		19	23
Net cash used in investing activities		(789,792)	(501,002)
Cash flows from financing activities			
Proceeds from borrowings		1,081,075	1,612,799
Repayment of borrowings		(975,996)	(616,000)
Dividends paid		(308,375)	-
Repayment of lease liabilities		(612)	(680)
Payment for debt issue costs		(13,257)	(24,909)
Net cash from/(used in) financing activities		(217,165)	971,210
Net increase/(decrease) in cash and cash equivalents		(403,648)	936,798
Cash and cash equivalents at the beginning of the financial year		985,625	48,827
Cash and cash equivalents at the end of the financial year		<u>581,977</u>	<u>985,625</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

1. Basis of preparation

Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The financial statements comprise the financial statements of Australia Pacific Airports (Melbourne) Pty. Limited (the Company). For the purposes of preparing the financial statements, the Company is a for-profit entity.

The presentation currency used in these financial statements is Australian dollars (\$). Amounts in these financial statements are stated in Australian dollars unless otherwise noted.

The financial statements have been prepared under the historical cost convention, except for measurement of investment properties and derivative financial instruments, which are measured at fair value through profit or loss or other comprehensive income, as described in Note 11 and Note 15 respectively.

The financial statements were authorised for issue by the Directors on 28 August 2024.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar, unless otherwise indicated.

Net current liability position

The Company was in a net current liability position of \$146.4 million at 30 June 2024 (30 June 2023: net current liability position of \$8.7 million), principally due to current borrowings of \$564.6 million maturing in October 2024. In March 2024, the Company executed an EMTN of EUR 650 million (\$1,085.1 million) to meet the upcoming debt maturity in October 2024 and fund future capital expenditure.

APAM's balance sheet remains strong with available liquidity as at 30 June 2024 in the form of cash and cash equivalents of \$582.0 million (30 June 2023: \$985.6 million) and undrawn bank facilities is \$1,400.0 million (30 June 2023: \$1,740.0 million). The Company continues to be compliant with financial covenants for the year ended 30 June 2024.

The Company retains a total of \$1.4 billion of bank debt facilities of which \$1.2 billion is a syndicated facility with two equal tranches maturing in August 2026 and August 2028 and \$200.0 million is a bilateral facility maturing in April 2026, both facilities are undrawn. These facilities, along with the \$582.0 million of cash available, are deemed sufficient to meet forward commitments.

The Directors continually monitor the Company's working capital position and capital commitments with reference to the Company's existing debt facilities and available liquidity and are satisfied that the Company will be able to pay its debts as and when they fall due. As a result, the financial statements have been prepared on a going concern basis.

2. Material accounting policy information

The accounting policies that are material to the Company are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

2. Material accounting policy information (continued)

Revenue

Revenue from contracts with customers

Aeronautical revenue

Aeronautical revenue is primarily generated from contracts with airlines for the provision of access to terminals, infrastructure, apron parking, airfield and terminal facilities. Revenue is recognised as the service is provided as follows:

- Passenger charges: On a per passenger basis as they arrive or depart
- Runway charges: On a per passenger basis or on the basis of maximum take-off weight
- Aircraft parking charges: Over the duration of time the aircraft is parked and maximum take-off weight

Aeronautical revenues are billed on a monthly basis.

Incentives and discounts are recognised in line with terms of contracts with airlines and are generally based on passenger numbers, flight frequency and/or new routes. Revenues from passenger charges are therefore variable consideration and estimated monthly. Variable revenue is only recognised when it is highly probable the revenues will not reverse.

Discounts and incentives are generally paid annually based on contract commencement date and any unpaid amount is recognised as a payable.

Security recovery revenues

Revenue is a pass-through of security operating costs and a capital recovery on depreciation and is based on the recognition of actual security costs and depreciation incurred. Revenue is recognised as the expense is incurred.

Security recovery revenues are billed on a monthly basis.

Ground Transport revenues

Parking and ground transport revenue is primarily generated from passengers and staff for the provision of car parking and from taxis, ride share services, busses and private vehicles for the provision of ground access services.

Revenue is recognised for car parking on exit and ground access services over the period of time the service is provided.

Retail revenues

This comprises the lease of commercial space to tenants whose activities include duty free, food and beverage, and financial and advertising services. These contracts contain lease components with revenue recognised on a straight-line basis over the lease term.

Property revenues

This comprises the lease of terminal space, buildings and other space on Melbourne Airport. These contracts contain only lease components with revenue recognised on a straight-line basis over the lease term.

New or amended accounting standards and interpretations adopted

The Company has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and interpretations did not have a material impact on the financial performance or position of the Company.

New or amended accounting standards and interpretations not yet adopted

Effective in the next financial year (FY25)

Current/non-current presentation of loan arrangements: AASB 101 *Presentation of Financial Statements* was amended to address the classification of liabilities as current or non-current where conditions must be met and related disclosures for liabilities subject to such conditions.

Sales leaseback transactions: AASB 16 *Leases* was amended in relation to the accounting for a sale leaseback transaction where the payments are variable.

2. Material accounting policy information (continued)

Supplier finance disclosures: AASB 107 *Statement of Cash Flows* and AASB 7 *Financial Instrument: Disclosures* were amended to require new disclosures of supplier finance arrangements and the effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The Company is currently assessing the impact of these new standards and amendments but expects that their adoption will not have a material impact on the Company in the current or future reporting periods or on foreseeable future transactions.

Effective in financial periods beyond FY25

AASB 121 *The Effects of Changes in Foreign Exchange Rates* was amended to address the accounting for a transaction or an operation in a foreign currency that is not exchangeable into another currency (effective for annual reporting periods beginning on or after 1 January 2025).

IFRS 18 *Presentation and Disclosure in Financial Statements*, which will replace AASB 101 *Presentation of Financial Statements*, was released by the IASB in April 2024. It is to be effective for annual reporting periods beginning on or after 1 January 2027, once adopted into Australian Accounting Standards. Many principles in AASB 101 are retained and it will not impact recognition or measurement of items in the financial statements. However, the changes introduce a new defined structure to the profit and loss statement with the objective of achieving comparability. New disclosures will also be required for some management-defined performance measures to enhance transparency.

The Company is currently assessing the impact of these new standards and amendments but expects that their adoption will not have a material impact on the Company in the current or future reporting periods or on foreseeable future transactions.

Sustainability related standards

In June 2023, the International Sustainability Standards Board (ISSB) published two IFRS sustainability disclosure standards in response to the demand for better information about sustainability related matters:

- IFRS S1 *General Requirements of Sustainability related Financial Information*, which sets out the core content for a complete set of sustainability related financial disclosures, thereby establishing a comprehensive baseline of sustainability related financial information; and
- IFRS S2 *Climate-related Disclosures*, which will require the Company to provide information that enables the users of its financial statements to understand the Company's governance, strategy, risk management, and metrics and targets in relation to climate-related risks and opportunities.

Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information was shared by the AASB during a consultation period between October 2023 and March 2024. Expected to be finalised in 2024, the exposure draft included proposed Australian Sustainability Reporting Standards that would apply a 'climate first' approach to adopting IFRS S1 and IFRS S2 in Australia.

Notwithstanding that the standards are not yet mandatory for adoption for the financial period ended 30 June 2024, the Company has acknowledged the demand for sustainability related disclosures and has considered the potential impacts of sustainability related matters. There are no current significant financial risks to the statement of financial position. However, the Company is continuing to assess the potential that long term risks of climate change, future climate events, legislation and reporting requirements may adversely impact the value of assets both tangible and intangible. Inability to satisfy reporting or covenant conditions may impact the availability of funding or the cost of available funding.

Management will continue to monitor requirements and implement processes to address climate and sustainability related risks.

3. Critical accounting judgements, estimates and assumptions

In the preparation of the financial statements, the Directors are required to make judgements, 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.

Details of the critical judgements and key sources of estimation uncertainty are set out in the following notes:

Critical judgements

- Net current liability position (Note 1)

Key sources of estimation uncertainty

- Allowance for expected credit losses (Note 7)
- Fair value of investment properties (Note 11)
- Impairment of goodwill (Note 12)
- Fair value of derivative financial instruments (Note 15)

4. Profit for the year

The profit before tax for the year includes the following specific items:

	2024	2023
	\$'000	\$'000
Employee benefits expense - superannuation contributions	6,245	5,321
Depreciation, amortisation and impairment losses:		
Depreciation on property, plant and equipment	228,936	233,070
Amortisation on intangible assets	849	4,495
Impairment of assets under construction	605	-
	<u>230,390</u>	<u>237,565</u>
Borrowing costs:		
Interest:		
- Secured debt	283,239	227,785
- Interest capitalised during the period	(41,574)	(16,626)
- Amortisation of deferred borrowing costs	11,312	10,257
Hedge reserve unwind	29,483	29,266
Interest on lease liabilities	676	680
Other finance costs	1,266	604
	<u>284,402</u>	<u>251,966</u>
Total borrowing costs		

5. Security

	2024	2023
	\$'000	\$'000
Security revenue	96,031	72,414
Security costs	(94,199)	(70,651)
Security depreciation and other costs	(1,832)	(1,763)
	<u>-</u>	<u>-</u>

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Security revenue is a pass-through of security operating costs and a capital recovery on depreciation and is based on the recognition of actual security costs and depreciation incurred.

6. Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset. Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

APAM is part of a tax consolidated group and Australia Pacific Airports Corporation Limited is the 'head entity' in the group. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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6. Income tax (continued)

(a) Income tax recognised in profit

Income tax expense comprises of:	2024 \$'000	2023 \$'000
Current tax expense	55,736	-
Deferred tax expense	72,157	60,120
Current tax in respect of prior years	21	(313)
Deferred tax in respect of prior years	16	(1,260)
Aggregate income tax expense	127,930	58,547

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit before income tax expense	426,322	197,901
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax at the statutory tax rate of 30% (2023: 30%)	127,896	59,370
Non-deductible expenses	(3)	750
Deferred tax in respect of prior years	16	(1,260)
Current tax in respect of prior years	21	(313)
Income tax expense	127,930	58,547

(b) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

2024	Opening balance 1 July 2023 \$'000	Charged to income \$'000	Charged to equity \$'000	Charged to Intercompany \$'000	Closing balance 30 June 2024 \$'000
Gross deferred tax liabilities:					
Property, plant & equipment incl. software	(157,393)	2,259	-	-	(155,134)
Accrued revenue	(50,913)	(9,133)	-	-	(60,046)
Investment property	(523,750)	(28,590)	-	-	(552,340)
Other assets	(1,147)	(78)	-	-	(1,225)
	(733,203)	(35,542)	-	-	(768,745)
Gross deferred tax assets:					
Provisions & accruals	7,765	3,198	-	-	10,963
Unearned income	9,542	(2,089)	-	-	7,453
Hedge reserve	7,143	2,416	(4,890)	-	4,669
Tax losses	44,182	(40,156)	-	(4,026)	-
	68,632	(36,631)	(4,890)	(4,026)	23,085
Net deferred tax liability	(664,571)	(72,173)	(4,890)	(4,026)	(745,660)

6. Income tax (continued)

2023

	Opening Balance 1 July 2022 \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance 30 June 2023 \$'000
Gross deferred tax liabilities:				
Property, plant & equipment incl. software	(164,913)	7,520	-	(157,393)
Accrued revenue	(47,265)	(3,648)	-	(50,913)
Investment property	(517,135)	(6,615)	-	(523,750)
Other assets	(1,347)	200	-	(1,147)
	<u>(730,660)</u>	<u>(2,543)</u>	<u>-</u>	<u>(733,203)</u>
Gross deferred tax assets:				
Provisions & accruals	8,992	(1,227)	-	7,765
Hedge reserve	15,352	(2,863)	(5,345)	7,143
Tax losses	107,880	(63,699)	-	44,182
Other	-	9,542	-	9,542
	<u>132,224</u>	<u>(58,247)</u>	<u>(5,345)</u>	<u>68,632</u>
Net deferred tax liability	<u>(598,436)</u>	<u>(60,790)</u>	<u>(5,345)</u>	<u>(664,571)</u>

7. Trade and other receivables

	2024 \$'000	2023 \$'000
Trade and other receivables	155,274	137,792
Less: allowance for expected credit losses	(9,280)	(1,446)
Net trade and other receivables	<u>145,994</u>	<u>136,346</u>
Total trade and other receivables	<u>145,994</u>	<u>136,346</u>

Revenue is invoiced on 30 day terms, with the exception of property and rental revenue which is invoiced in advance.

Allowance for expected credit losses

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivables and accrued revenue. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable.

The Company recognises lifetime ECL for trade receivables and accrued revenue. The expected credit losses on trade receivables and accrued revenue are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

7. Trade and other receivables (continued)

Set out below is an overview of the ageing of trade and other receivables and an overview of the associated allowance for expected credit losses held:

	Carrying amount 2024 \$'000	Carrying amount 2023 \$'000	Allowance for expected credit losses 2024 \$'000	Allowance for expected credit losses 2023 \$'000
Not overdue	129,014	113,378	3,035	-
0 - 30 Days	18,878	17,740	2,075	-
31 - 60 Days	4,967	5,029	2,353	-
61 - 90 Days	1,094	63	496	-
> 90 Days	1,321	1,582	1,321	1,446
	<u>155,274</u>	<u>137,792</u>	<u>9,280</u>	<u>1,446</u>

Movements in the allowance for expected credit losses are as follows:

	2024 \$'000	2023 \$'000
Opening balance	1,446	2,154
Additional provisions recognised	7,896	-
Receivables written off during the year as uncollectable	(2)	(54)
Unused amounts reversed	(60)	(654)
Closing balance	<u>9,280</u>	<u>1,446</u>

8. Accrued revenue

	2024 \$'000	2023 \$'000
Current:		
Straight line leases	17,964	10,650
Other accrued revenue	21,264	28,159
Accrued rebates	<u>2,000</u>	<u>2,000</u>
Total current	<u>41,228</u>	<u>40,809</u>
Non-current:		
Straight line leases	278,434	159,632
Accrued rebates	<u>723</u>	<u>2,723</u>
Total non-current	<u>279,157</u>	<u>162,355</u>

Accrued revenue represents amounts the Company is entitled to receive but has not invoiced at reporting date. When the customer is invoiced, the amount is reclassified to trade receivables.

Straight line leases represent accrued revenue arising from straight line recognition of lease income and from the provision of lease incentives as part of lease contracts with customers. Lease incentives are typically provided at the commencement of a lease which effects the timing of cash flows at the start of the lease, whilst rental revenue is recognised on a straight-line basis over the lease term.

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9. Other assets

	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Prepayments	39,420	46,956
Term deposits	488	846
Total current	<u>39,908</u>	<u>47,802</u>
<i>Non-current assets</i>		
Other non-current assets	<u>4,650</u>	<u>2,048</u>
	<u><u>44,558</u></u>	<u><u>49,850</u></u>

10. Property, plant and equipment

	Leasehold land \$'000	Buildings and services \$'000	Roads, runway & other infra- structure \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
2024						
Gross carrying amount						
Balance at 1 July 2023	238,096	2,261,187	1,399,699	1,368,628	672,088	5,939,698
Additions	-	-	-	-	677,406	677,406
Disposals	-	-	-	(163)	-	(163)
Impairment	-	-	-	-	(605)	(605)
Transfers to/(from) assets under construction	-	22,940	82,164	42,626	(147,730)	-
Balance at 30 June 2024	<u>238,096</u>	<u>2,284,127</u>	<u>1,481,863</u>	<u>1,411,091</u>	<u>1,201,159</u>	<u>6,616,336</u>
Accumulated depreciation						
Balance at 1 July 2023	(25,474)	(887,122)	(495,687)	(971,767)	-	(2,380,050)
Depreciation expense	(2,305)	(99,236)	(45,696)	(81,699)	-	(228,936)
Disposals	-	-	-	163	-	163
Balance at 30 June 2024	<u>(27,779)</u>	<u>(986,358)</u>	<u>(541,383)</u>	<u>(1,053,303)</u>	<u>-</u>	<u>(2,608,823)</u>
Net book value at 30 June 2024	<u><u>210,317</u></u>	<u><u>1,297,769</u></u>	<u><u>940,480</u></u>	<u><u>357,788</u></u>	<u><u>1,201,159</u></u>	<u><u>4,007,513</u></u>

10. Property, plant and equipment (continued)

2023	Leasehold land \$'000	Buildings and services \$'000	Roads, runways & other infra- structure \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July 2022	243,774	2,460,064	1,501,392	901,358	437,446	5,544,034
Additions	-	-	-	-	395,980	395,980
Disposals	-	-	-	(316)	-	(316)
Transfer due to change in asset groups	(5,684)	(241,970)	(155,354)	403,008	-	-
Transfers to/(from) assets under construction	6	43,093	53,661	64,578	(161,338)	-
Balance at 30 June 2023	238,096	2,261,187	1,399,699	1,368,628	672,088	5,939,698
Accumulated depreciation						
Balance at 1 July 2022	(24,647)	(956,436)	(501,235)	(664,970)	-	(2,147,288)
Depreciation expense	(2,310)	(99,919)	(44,817)	(86,024)	-	(233,070)
Transfer due to change in asset groups	1,483	169,233	50,365	(221,081)	-	-
Disposals	-	-	-	308	-	308
Balance at 30 June 2023	(25,474)	(887,122)	(495,687)	(971,767)	-	(2,380,050)
Net book value at 30 June 2023	212,622	1,374,065	904,012	396,861	672,088	3,559,648

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
Assets under construction	Not depreciated

Land leased as part of the airport acquisition (leasehold land) has been valued at acquisition at fair value. Leased land is amortised on a straight line basis over the lease term of 99 years.

11. Investment properties

The Company classifies certain areas of the Airport precinct as investment property as they are held for rental income. These areas include Melbourne Airport Business Park, Hotels, Industrial Buildings and Vacant Land. The Company provides investment properties (along with land and buildings in Note 10) as security for loans disclosed in Note 14.

The profit for the year includes a gain on revaluation of investment properties of \$95.3 million, driven by development profits and land value increase net of infrastructure spend.

	2024 \$'000	2023 \$'000
Balance at beginning of the year	2,281,721	2,181,414
Additions for the year	136,078	101,494
Net (loss)/gain from fair value adjustments for the year	95,299	(1,187)
Balance at end of the year	2,513,098	2,281,721

11. Investment properties (continued)

The Company's investment properties represent interests in land and buildings held to derive rental income. They are initially measured at cost, including transaction costs. Subsequently, at each year end reporting date, they are carried at their fair values based on the market value determined by independent (external) valuers. Gains or losses arising from a change in the fair value of investment properties are recognised in the profit or loss for the period in which they arise.

Valuation of investment properties

Each year the Board of Directors appoint an independent professionally qualified valuer to determine the fair value of the Company's investment properties as at balance date (30 June). The external valuer appointed in the current year was Jones Lang LaSalle.

The investment properties held by the Company are held on a leasehold basis (99 year lease, with 72 years remaining as at 30 June 2024). Taking this into consideration, each investment property has been valued by the external valuer as follows:

<u>Valuation method</u>	<u>Description</u>
Capitalisation of net income	The fully leased net income for each precinct has been discounted on a leasehold basis (present value of the net income for the remaining term) from the valuation date at an appropriate capitalisation rate which reflects the nature, location, land value content condition and tenancy profile of each property when compared with current market investment criteria. The valuation does not capitalise into perpetuity as the asset is not freehold.
Discounted cash flow (DCF)	Various adjustments are then made to the calculated result, including estimated future incentives, capital expenditure, vacancy allowances and reversions to market rent. The discounted cash flow analysis allows the assessment of the long-term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon. A wide range of assumptions are made including a target internal rate of return, rental growth, occupancy, sale price of the property at the end of the investment horizon, potential capital expenditure and costs associated with its disposal at the end of the investment period.
Direct comparison approach	Development land (vacant land allotments) has been assessed on a direct comparison approach, where the value is analysed on dollar per square metre (\$psm) of site area basis, as this is deemed most appropriate. The scale of available land and duration it will take to develop, and therefore the holding cost, and profit and risk expected, is also acknowledged under this approach.

The external valuer has used the midpoint of the capitalisation of net income approach and discounted cash flow approach as the basis for determining the fair value of each investment property.

Development land has been assessed on a direct comparison basis, on a rate per square metre of site area basis.

Key inputs and sensitivities

Measuring the fair value of the Company's investment properties requires estimates and assumptions which are based on historical experience and expectations of future events that are believed to be reasonable at the date of valuation. Key assumptions include market rents, market rental growth, capitalisation rates, discount rates and terminal yields. Recent and relevant sales evidence and other market data are also considered.

Inputs to investment property valuations are considered Level 3 of the fair value hierarchy as the capitalisation of income and DCF methods require assumptions to be made to determine certain inputs that are not based on observable market data. At reporting date, the key unobservable inputs used by the Company in determining fair value of its investment properties are summarised below:

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11. Investment properties (continued)

- Capitalisation rate ranging from 5.13% to 6.5%;
- Discount rates ranging from 7% to 7.5%;
- Terminal yields ranging from 5.52% to 7.07%; and
- Market rental growth rates ranging from 2.47% to 3.65%.

All of the above assumptions have been taken from the latest external valuation report.

12. Intangible assets

	Goodwill	Masterplan	Software	Total
	\$'000	\$'000	\$'000	\$'000
2024				
Net book value				
Balance at 1 July 2023	667,700	1,798	923	670,421
Additions	-	-	17	17
Amortisation charge	-	(415)	(434)	(849)
	<u>667,700</u>	<u>1,383</u>	<u>506</u>	<u>669,589</u>
Cost	667,700	2,074	33,344	703,118
Accumulated amortisation and impairment	-	(691)	(32,838)	(33,529)
Net book value at 30 June 2024	<u>667,700</u>	<u>1,383</u>	<u>506</u>	<u>669,589</u>
2023				
Net book value				
Balance at 1 July 2022	667,700	1,026	3,596	672,322
Disposals	-	-	(5)	(5)
Additions	-	2,074	525	2,599
Amortisation charge	-	(1,302)	(3,193)	(4,495)
	<u>667,700</u>	<u>1,798</u>	<u>923</u>	<u>670,421</u>
Cost	667,700	2,074	33,327	703,101
Accumulated amortisation and impairment	-	(276)	(32,404)	(32,680)
Net book value at 30 June 2023	<u>667,700</u>	<u>1,798</u>	<u>923</u>	<u>670,421</u>

Critical accounting estimates and judgements - impairment of goodwill

Determining whether goodwill is impaired requires an annual estimation of the recoverable amount of the cash generating units to which goodwill has been allocated. The Company uses the fair value less cost to sell methodology to estimate the future cash flows expected to arise from the cash generating unit and applies a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating units, in order to calculate present value. These calculations require the use of assumptions and the application of sensitivity analysis where appropriate.

The methodology adopted to value the Melbourne Airport is a discounted cash flow based on the forecast dividends to equity holders (including franking credits) at a cost of equity. The valuation derived from this discounted cash flow analysis has been cross checked to a valuation based on the capitalised earnings approach by calculating the implied multiples of the valuation and comparing these with those of comparable companies and transactions to ensure the valuation is providing a reliable measure.

12. Intangible assets (continued)

The cash flows used in the discounted cash flow analysis were projected based on management's 20 year financial model. Cash flows are driven by aeronautical, retail and property revenues which are heavily dependent on passenger numbers and pricing which is determined based on known contracted terms and forecast inflation. Growth in passenger numbers over the forecast period is based on internal forecasting and information provided by an independent firm.

Terminal value was calculated for the period beyond the 20-year forecast based on a sustainable level of forecast distributions and a capitalisation amount based on a constant terminal growth rate of 3%.

Post-tax cash flows are discounted to their present value using a post-tax discount rate of 10%. The discount rate used reflects current market assessment of the time value of money and the risks specific to the cash generating unit.

Melbourne Airport has significant headroom between the recoverable amount and the carrying value of the cash generating unit. In the current year the valuation has seen an uplift in this headroom, which remains significantly in excess of the carrying value.

There are no reasonably possible changes in assumptions that would result in impairment.

Accounting policy for Master Plan intangible asset

Under the Airports Act 1996, Melbourne Airport is required every 5 years to prepare Master Plan to guide the development of the airport for the next 20 years. The costs associated with the Master Plan are recognised as intangible assets amortised over the 5 year period.

Software

Software controlled by the Company is capitalised and amortised over the useful life of the software on a straight-line basis.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

13. Payables

	2024 \$'000	2023 \$'000
Current liabilities		
Trade and other payables (i)	218,390	69,047
GST payable	4,115	2,160
Accruals for assets under construction	70,476	56,271
Intercompany payables	47,125	48,233
	<u>340,106</u>	<u>175,711</u>
Interest payable to:		
- Secured debt - bank (ii)	<u>29,233</u>	<u>36,737</u>
	<u>369,339</u>	<u>212,448</u>
	2024 \$'000	2023 \$'000
Non-current liabilities		
Other non-current liabilities	<u>-</u>	<u>1,250</u>

13. Payables (continued)

(i) The average credit period for purchases and services is 30 days.

(ii) Secured by a fixed and floating charge over the Company's assets. There have been no defaults on loans payable during the current or prior years.

14. Borrowings

At the reporting date the Company's debt comprises: Bank facilities (Syndicated and bilateral); term bank debt; domestic bonds (AMTN); Euro bonds (EMTN); and USD private placement bonds (USPP).

The balances and other details related to the Company's interest bearing liabilities are presented in the tables below.

	Drawn (\$'000) 2024	Undrawn (\$'000) 2024	Drawn (\$'000) 2023	Face value Undrawn (\$'000) 2023
Drawn and undrawn				
Unsecured bank overdraft	-	22,077	-	22,066
Secured term bank debt	1,300,000	-	1,300,000	-
Secured bank facilities	-	1,400,000	-	1,740,000
	<u>1,300,000</u>	<u>1,422,077</u>	<u>1,300,000</u>	<u>1,762,066</u>
Secured capital markets debt	4,606,684	-	4,501,606	-
Total Borrowings	<u>5,906,684</u>	<u>1,422,077</u>	<u>5,801,606</u>	<u>1,762,066</u>

Accounting policy for borrowings

Borrowings are recorded at an amount equal to the net proceeds received (including costs attributable to transaction costs) and recorded at amortised cost using the effective interest rate method.

Foreign currency borrowings are reported at spot exchange rates. Movements in the spot rate are reflected in the Statement of Profit or Loss and Other Comprehensive Income. At 30 June 2024 and 30 June 2023, these borrowings were 100% hedged through cross currency interest rate swaps until maturity. As a result, a strengthening or weakening of the AUD will have no impact on profit or loss or equity.

Fair value

The fair values of fixed interest debt are valued using market observable inputs (Level 2) with available comparative market data utilised as inputs. There were no transfers between levels during the year and there has been no change in valuation techniques applied.

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 for interest bearing liabilities with the fair values included in the below table under the heading "Fair Value".

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14. Borrowings (continued)

Type	Maturity	Currency	Principal Drawn		Carrying Amount (ii)		Fair Value	Fair Value
			Original Currency \$'000	Face Value (AUD) (i) \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Capital Markets Debt								
USPP	15-Sep-23	USD	200,000	-	-	301,659	-	300,812
EMTN (iii)	26-Sep-23	EUR	550,000	-	-	901,787	-	899,920
EMTN	15-Oct-24	EUR	350,000	505,051	564,881	573,865	570,427	556,881
AMTN	11-Nov-25	AUD	120,000	120,000	120,000	120,000	118,796	117,304
USPP	15-Sep-26	USD	200,000	191,077	301,932	301,659	296,052	291,962
AMTN	4-Nov-26	AUD	200,000	200,000	200,000	200,000	192,500	187,775
USPP (\$A)	15-Jan-28	AUD	50,000	50,000	50,000	50,000	50,569	50,178
EMTN	27-Sep-30	NOK	1,500,000	242,994	211,099	209,418	191,879	182,510
AMTN	25-Nov-31	AUD	700,000	700,000	700,000	700,000	613,746	575,963
USPP (iii)	4-Dec-31	USD	105,000	151,844	158,514	158,371	133,704	133,087
EMTN (iii)	24-May-33	EUR	500,000	812,799	806,972	819,807	849,719	813,267
EMTN (iii) (iv)	07-Jun-34	EUR	650,000	1,081,075	1,049,064	-	1,073,353	-
USPP	4-Dec-34	USD	105,000	151,844	158,514	158,371	125,756	127,559
USPP (\$A)	4-Dec-39	AUD	150,000	150,000	150,000	150,000	117,359	110,090
USPP (\$A)	4-Dec-44	AUD	250,000	250,000	250,000	250,000	189,801	173,208
Total Capital Market Debt				4,606,684	4,720,976	4,894,937	4,523,661	4,520,516
Bank Debt								
Term Bank Debt	16-Jun-26	AUD		200,000	200,000	200,000	200,616	199,284
Term Bank Debt	13-Sep-27	AUD		292,000	292,000	292,000	302,392	297,189
Term Bank Debt	16-Jun-29	AUD		300,000	300,000	300,000	292,335	289,172
Term Bank Debt	13-Sep-29	AUD		508,000	508,000	508,000	511,836	501,709
Total Bank Debt				1,300,000	1,300,000	1,300,000	1,307,179	1,287,354
Total Borrowings				5,906,684	6,020,976	6,194,937	5,830,840	5,807,870
Fair value adjustments					(24,845)	(33,052)	-	-
Deferred upfront borrowing costs					(43,067)	(37,021)	-	-
Total Net Borrowings				5,906,684	5,953,064	6,124,864	5,830,840	5,807,870

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14. Borrowings (continued)

Carrying amount	2024 \$'000	2023 \$'000
Current	564,635	1,197,293
Non-current	5,388,429	4,927,571
Total Net Borrowings	<u>5,953,064</u>	<u>6,124,864</u>

All the above borrowings are secured by fixed and floating charges over the Group's assets.

(i) Face values of foreign debt shown reflects the AUD value of the hedged principal amount at inception of the debt.

(ii) Carrying amounts of foreign debt reflect revalued debt in AUD at spot rates as at 30 June 2024 and 30 June 2023, as applicable.

(iii) Individual borrowing carrying amounts exclude fair value hedge accounting adjustments. EMTN maturing in May 2033 and June 2034 and USPP maturing in 2031 are subject to cross currency swaps with a floating pay leg and are the only instruments with a fair value hedge (refer additional detail regarding fair value hedges at Note 15). The cumulative amount of fair value hedge adjustments at 30 June 2024 was (\$24,845,222) attributable to each borrowing as follows: EMTN maturing 2033 - \$3,533,024, EMTN maturing 2034 - (\$6,184,720) and USPP maturing 2031 - (\$22,193,526).

(iv) A new EUR 650 million EMTN, with a hedged principal amount of \$1,081 million, was issued on 7 March 2024.

15. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rates, including interest rate swaps, swaptions and cross currency hedges. Net derivative assets decreased by \$289 million over the period from \$380 million to \$91 million, of which \$223 million related to derivatives hedging September 2023 USPP and EMTN debt maturities.

The net derivative position (before application of hedge accounting) at reporting date is presented below:

	Current 2024 \$'000	Non-current 2024 \$'000	Total 2024 \$'000	Current 2023 \$'000	Non-current 2023 \$'000	Total 2023 \$'000
Assets						
Cross currency swaps	55,451	116,156	171,607	221,170	174,707	395,877
Interest rate swaps	-	29,262	29,262	1,976	30,246	32,222
Swaption	-	-	-	-	5,987	5,987
	<u>55,451</u>	<u>145,418</u>	<u>200,869</u>	<u>223,146</u>	<u>210,940</u>	<u>434,086</u>
Liabilities						
Cross currency swaps	-	(109,950)	(109,950)	-	(53,117)	(53,117)
Interest rate swaps	-	-	-	(264)	-	(264)
Swaption	-	-	-	-	(711)	(711)
	<u>-</u>	<u>(109,950)</u>	<u>(109,950)</u>	<u>(264)</u>	<u>(53,828)</u>	<u>(54,092)</u>
Net derivative position assets/(liabilities)	<u>55,451</u>	<u>35,468</u>	<u>90,919</u>	<u>222,882</u>	<u>157,112</u>	<u>379,994</u>

15. Derivative financial instruments (continued)

Accounting policy for derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. When the Company designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as either fair value or cash flow hedges.

Hedge accounting

The Company enters into derivatives to offset the risks arising from its long-term borrowings. To the extent permitted by AASB 9, the Company formally designates and documents these financial instruments as fair value and cash flow hedges for accounting purposes. In order to qualify for hedge accounting, the following has been assessed:

- an economic relationship exists between the hedged item and hedging instrument;
- the effect of credit risk does not dominate the value changes resulting from the economic relationship; and
- the hedge ratio is the same as that resulting from amounts of hedged items and hedging instruments for risk management.

As a result of borrowing in foreign currency, the Company is exposed to foreign exchange and foreign interest rate risk. Cross-currency swaps are used to hedge both the foreign exchange risk and foreign interest rate risk over the full term of the foreign currency borrowing. The swaps are designated as cash flow hedges of foreign currency/AUD forward foreign exchange risk of the foreign currency borrowing, fair value hedge of the foreign currency benchmark interest rate risk of the foreign currency benchmark component and cash flow hedge of foreign currency/AUD spot foreign exchange risk of the foreign currency borrowing principal.

Fair value hedges

The objective of the Company's fair value hedging is to convert fixed interest rate borrowings to floating interest rate borrowings through the use of derivatives. Initial recognition of the derivative is at fair value and subsequent changes, being hedging gains/losses, are recognised in profit or loss. The hedge adjustment is included in the carrying value of the hedged items and in the profit or loss. The derivatives are considered to be highly effective hedges as they are matched against underlying foreign currency exposures.

Cash flow hedges

The objective of the Company's cash flow hedging is to convert foreign currency debt to AUD and floating rate debt to fixed through the use of derivatives. Initial recognition of the derivative is at fair value. Subsequently, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss.

15. Derivative financial instruments (continued)

Reconciliation of movement of carrying value of borrowings and derivatives to cash flows arising from financing activities:

	Borrowings 2024 \$'000	Derivative assets 2024 \$'000	Borrowings 2023 \$'000	Derivative assets 2023 \$'000
Carrying value as at 1 July 2023	6,124,864	(379,994)	5,019,716	(266,850)
Proceeds from borrowings	1,081,075	-	1,612,799	-
Repayments of borrowings	(975,996)	-	(616,000)	-
Cash inflow / outflow for swaptions	-	1,351	-	(3,200)
Debt issuance costs (cash)	(14,607)	-	(21,709)	-
	<u>90,472</u>	<u>1,351</u>	<u>975,090</u>	<u>(3,200)</u>
Foreign exchange movement	(279,039)	279,039	140,218	(140,218)
Debt issuance costs (accrual movement)	958	-	(1,591)	-
Amortisation of deferred borrowing costs	7,602	-	9,556	-
Fair value changes (other than foreign exchange movement)	8,207	8,685	(18,125)	30,274
	<u>(262,272)</u>	<u>287,724</u>	<u>130,058</u>	<u>(109,944)</u>
Carrying value as at 30 June 2024	<u>5,953,064</u>	<u>(90,919)</u>	<u>6,124,864</u>	<u>(379,994)</u>

16. Financial risk management

(a) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and maintaining a strong investment grade credit rating.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 14, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. In addition, the Company has implemented risk management strategies to mitigate against adverse increases to interest rates on future borrowings.

(b) Financial risk management objectives

The Company's corporate treasury function provides financing, investing and financial risk management services to the business. The strategic objectives of the corporate treasury function are to manage all material financial risks related to the Company's treasury activities including funding, liquidity, interest rate, foreign exchange, counterparty credit, operational and compliance risks. Corporate Treasury also provides support to the Company by ensuring financial metrics are maintained at levels that support a strong and stable standalone investment grade corporate credit rating.

The Company does not enter into or trade derivative financial instruments for speculative purposes.

The Company's exposures to interest rates on the financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

(c) Interest rate risk management

Under interest rate derivative contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company 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.

16. Financial risk management (continued)

	Average contracted fixed interest rate		Notional principal amount		Fair value of interest rate derivatives	
	2024 %	2023 %	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Less than 1 year	-	4.2%	-	729,000	-	1,711
1 to 2 years	-	-	-	-	-	-
2 to 5 years	3.4%	3.2%	1,099,000	1,741,000	29,262	29,833
5 years +	-	3.3%	-	118,000	-	5,689
			<u>1,099,000</u>	<u>2,588,000</u>	<u>29,262</u>	<u>37,233</u>

As at 30 June 2024, of the total face value debt of \$5,906.7 million, \$4,060.0 million is fixed rate (including post hedging) and \$1,846.7 million floating rate. The \$4,060.0 million of fixed rate debt comprises \$1,470.0 million of Australian dollar fixed rate debt (AMTN and AUD denominated USPP), \$1,099.0 million floating rate debt subject to interest rate derivatives per the above table, and \$1,491.0 million of foreign currency denominated debt converted to fixed rates through cross currency derivatives per the table below under "Foreign currency risk management".

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

- Net profit would increase / decrease by \$9,233,588 (2023: increase / decrease \$6,307,831) as a result of the Company's exposure to variable interest rates on certain borrowings.
- Other equity reserves would increase / decrease by \$16,411,575 (2023: increase / decrease \$15,724,001) mainly as a result of changes in fair value through other comprehensive income for fixed rate derivative instruments.

(d) Foreign currency risk management

Cross currency exposures for the Group predominantly arise from foreign denominated interest bearing liabilities, creating exposure to exchange rate fluctuations. These exposures are managed within approved policy parameters utilising cross currency derivatives. The Company's policy is to hedge 100% of currency risk for both capital and interest for the life of the exposure. In both the current and prior year, these cross currency exposures were 100% hedged through cross currency swaps until maturity resulting in no other material currency risk exposure.

	Average Contracted Interest Rate	Average Exchange Rate	Notional Principal Amount		Fair Value of Cross Currency Interest Rate Derivatives	
			1 to 5 years \$'000	> 5 years \$'000	1 to 5 years \$'000	> 5 years \$'000
2024						
USPP (USD 305m)	5.7%	0.8894	191,077	151,844	98,645	12,040
USPP (USD 105m)	BBSW + 1.5%	0.6915	-	151,844	-	(15,507)
EMTN (EUR 596m)	5.4%	0.6586	505,051	400,000	55,451	5,472
EMTN (EUR 904m)	BBSW + 1.8%	0.6051	-	1,493,874	-	(58,092)
EMTN (NOK 1,500m)	4.2%	6.1730	-	242,994	-	(36,451)
			<u>696,128</u>	<u>2,440,556</u>	<u>154,096</u>	<u>(92,538)</u>

16. Financial risk management (continued)

	Average Contracted Interest Rate	Average Exchange Rate	Notional Principal Amount		Fair Value of Cross Currency Interest Rate Derivatives	
			1 to 5 years \$'000	> 5 years \$'000	1 to 5 years \$'000	> 5 years \$'000
2023						
USD (505m)	6.4%	0.9457	382,153	151,844	203,677	1,357
USPP (USD 105m)	BBSW + 1.5%	0.6915	-	151,844	-	-
EMTN (EUR 596m)	5.4%	0.6586	505,051	400,000	51,857	10,110
EMTN (EUR 804m)	BBSW + 1.9%	0.6712	784,923	412,799	112,320	-
EMTN (NOK 1,500m)	4.2%	6.1730	-	242,994	-	(36,560)
			<u>1,672,127</u>	<u>1,359,481</u>	<u>367,854</u>	<u>(25,093)</u>

(e) Liquidity risk

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

As at 30 June 2024, the Company had \$1,982.0 million of available liquidity in the form of \$1,400.0 million of undrawn bank facilities and \$582.0 million of cash and cash equivalents. This provides sufficient liquidity to cover all financial liabilities due in the next 12 months.

The following table details the Company's exposure to liquidity risk as at 30 June 2024. All domestic bonds, US private placements and European bonds listed are fixed rate notes unless otherwise stated.

	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
2024					
Financial liabilities					
Trade and other payables	292,982	-	-	-	292,982
Interest payable	29,233	-	-	-	29,233
Lease liability	322	966	6,437	2,575	10,300
	<u>322,537</u>	<u>966</u>	<u>6,437</u>	<u>2,575</u>	<u>332,515</u>
Borrowings (principal and interest):					
Term bank debt	18,889	57,760	1,022,854	515,556	1,615,059
AMTN	9,814	29,359	439,278	765,908	1,244,359
USPP	8,729	34,082	483,794	966,115	1,492,720
EMTN	5,700	652,420	331,331	2,429,567	3,419,018
	<u>43,132</u>	<u>773,621</u>	<u>2,277,257</u>	<u>4,677,146</u>	<u>7,771,156</u>
Cross currency interest rate swaps					
- Outflow	24,335	90,378	435,361	2,385,039	2,935,113
- Inflow	(5,700)	(65,218)	(281,837)	(2,133,894)	(2,486,649)
	<u>18,635</u>	<u>25,160</u>	<u>153,524</u>	<u>251,145</u>	<u>448,464</u>
	<u>384,304</u>	<u>799,747</u>	<u>2,437,218</u>	<u>4,930,866</u>	<u>8,552,135</u>

16. Financial risk management (continued)

2023	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial liabilities					
Trade and other payables	173,551	-	-	-	173,551
Interest payable	36,737	-	-	-	36,737
Lease liability	322	966	5,150	5,150	11,588
Non-current payables	-	1,250	-	-	1,250
	<u>210,610</u>	<u>2,216</u>	<u>5,150</u>	<u>5,150</u>	<u>223,126</u>
Borrowings:					
Term bank debt	18,385	59,174	738,700	860,676	1,676,935
AMTN	9,901	29,702	452,130	792,228	1,283,961
USPP	317,242	33,939	500,979	991,065	1,843,225
EMTN	935,622	45,941	749,963	1,225,461	2,956,987
	<u>1,281,150</u>	<u>168,756</u>	<u>2,441,772</u>	<u>3,869,430</u>	<u>7,761,108</u>
Cross currency interest rate swaps					
- Outflow	7,251	12,671	76,419	460,287	556,628
- Inflow	(5,654)	(5,242)	(43,652)	(410,010)	(464,558)
Interest rate swaps	<u>5,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,714</u>
	<u>7,311</u>	<u>7,429</u>	<u>32,767</u>	<u>50,277</u>	<u>97,784</u>
	<u>1,499,071</u>	<u>178,401</u>	<u>2,479,689</u>	<u>3,924,857</u>	<u>8,082,018</u>

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Significant classes of financial assets of the Company may include trade and other receivables and derivative financial instruments.

The carrying amount of each class of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral or other security. As the Company does not have enforceable offsetting arrangements for its financial instruments, gross amounts have been recognised in the Statement of Financial Position.

For derivative financial instruments, treasury counterparties may include banks and other financial institutions with which the Company may engage for banking, lending, derivatives and other treasury activities. The Company requires these counterparties to meet minimum ratings thresholds and concentration limits in line with policies, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

For trade receivables, the Company adopts a policy of dealing with customers with appropriate credit quality and obtaining collateral support where appropriate for risk mitigation. The Company continues to monitor its trade receivables ageing and engages in follow up activity, which may include enforcement where receivables are overdue. A write off is recognised when there is no reasonable expectation of recovery. Refer to Note 7 for details on Expected Credit Losses.

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Hedge Accounting Relationship	Fair Value Hedge		Cash Flow Hedge				Total
Hedging Instrument	USD - CCIRS	EUR - CCIRS	USD - CCIRS	EUR - CCIRS	NOK - CCIRS	AUD - IRS + Swaptions	
Hedged Item	USD Fixed Debt	EUR Fixed Debt	USD Fixed Debt	EUR Fixed Debt	NOK Fixed Debt	AUD Floating Debt	
Notional Amount	USD 105,000,000	EUR 903,936,718	USD 410,000,000	EUR 1,500,000,000	NOK 1,500,000,000	AUD 1,099,000,000	
Hedge Ratio	1:1	1:1	1:1	1:1	1:1	1:1	
Denomination	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's
At 30 June 2024							
<i>Carrying amount of hedging instruments</i>							
Assets	-	3,531	116,998	60,923	-	29,262	210,714
Liabilities	(21,819)	(44,958)	-	(16,666)	(36,351)	-	(119,794)
Total	(21,819)	(41,427)	116,998	44,257	(36,351)	29,262	90,920
Cumulative fair value adjustment on hedged item ¹	22,194	2,652	-	-	-	-	24,845
Carrying amount of the hedged item recognised in the statement of financial position	(135,501)	(1,441,626)	-	-	-	-	(1,577,127)
Balance in cash flow hedge reserve for continuing hedges ²	-	2,563	5,199	9,130	4,456	(36,561)	(15,213)
Balance in cash flow hedge reserve from discontinued hedges	-	-	11,334	977	-	19,887	32,198
During the Year							
<i>Change in fair value of hedging instrument</i>							
used for calculating hedge effectiveness	(5)	(32,498)	(23,663)	(94,007)	210	(9,525)	(159,487)
due to cash payment on restructure of hedges	-	-	-	-	-	(1,351)	(1,351)
<i>Change in fair value of hedged item</i>							
used for calculating hedge effectiveness	650	25,717	29,093	103,453	(625)	13,933	172,221
<i>Change in cash flow hedge reserve</i>							
for continuing hedge relationships	-	(2,563)	(853)	1,962	(1,471)	(9,562)	(12,466)
for discontinued hedge relationships	-	-	6,972	(25,048)	-	46,841	28,765
<i>Change in profit or loss</i>							
Ineffectiveness recognised in profit and loss	644	(6,780)	49	(1,839)	-	37	(7,889)
Reclassified from CFHR to profit and loss on continued hedge relationships	-	-	108,994	161,397	(6,748)	9,356	272,998
Reclassified from CFHR to profit and loss on discontinued hedge relationships	-	-	(6,973)	25,048	-	(49,061)	(30,986)

¹ excluding impact of changes in foreign exchange rates on notional amount

² cash flow hedge reserve includes the cumulative impact of cross-currency basis recognised as cost of hedging of \$15.6 million.

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16. Financial risk management (continued)

Hedge Accounting Relationship	Fair Value Hedge		Cash Flow Hedge				Total
Hedging Instrument	USD - CCIRS	EUR - CCIRS	USD - CCIRS	EUR - CCIRS	NOK - CCIRS	AUD - IRS + Swaptions	
Hedged Item	USD Fixed Debt	EUR Fixed Debt	USD Fixed Debt	EUR Fixed Debt	NOK Fixed Debt	AUD Floating Debt	
Notional Amount	USD 105,000,000	EUR 803,936,718	USD 610,000,000	EUR 1,400,000,000	NOK 1,500,000,000	AUD 2,588,000,000	
Hedge Ratio	1:1	1:1	1:1	1:1	1:1	1:1	
Denomination	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's
At 30-June-2023							
<i>Carrying amount of hedging instruments</i>							
Assets	-	-	226,848	183,297	-	38,208	448,352
Liabilities	(21,814)	(8,929)	-	(81)	(36,560)	(975)	(68,359)
Total	(21,814)	(8,929)	226,848	183,216	(36,560)	37,233	379,993
Cumulative fair value adjustment on hedged item ¹	21,544	11,508	-	-	-	-	33,052
Carrying amount of the hedged item recognised in the statement of financial position	(135,888)	(1,291,155)	-	-	-	-	(1,427,043)
Balance in cash flow hedge reserve for continuing hedges	-	-	4,346	11,112	2,995	(46,122)	(27,679)
Balance in cash flow hedge reserve from discontinued hedges	-	-	18,306	(24,072)	-	66,729	60,963
During the Year							
<i>Change in fair value of hedging instrument</i>							
used for calculating hedge effectiveness	(7,896)	(8,122)	30,141	110,496	(14,463)	(8,571)	101,582
due to cash payment on restructure of hedges	-	-	-	-	-	-	-
<i>Change in fair value of hedged item</i>							
used for calculating hedge effectiveness	7,550	10,574	(27,339)	(118,523)	15,806	13,047	(98,885)
<i>Change in cash flow hedge reserve</i>							
for continuing hedge relationships	-	-	(3,360)	(14,379)	(4,341)	(8,563)	(30,643)
for discontinued hedge relationships	-	-	13,807	25,290	-	9,364	48,461
<i>Change in profit or loss</i>							
Ineffectiveness recognised in profit and loss	(348)	2,452	17	8,020	-	(8)	10,132
Reclassified from CFHR to profit and loss on continued hedge relationships	-	7,692	(16,080)	(174,433)	5,641	21,531	(155,648)
Reclassified from CFHR to profit and loss on discontinued hedge relationships	-	-	(13,807)	(23,288)	-	(9,364)	(46,459)

¹ excluding impact of changes in foreign exchange rates on notional amount

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17. Lease liabilities

	2024 \$'000	2023 \$'000
Lease liabilities		
Current	1,287	1,287
Non-current	1,835	2,447
	<u>3,122</u>	<u>3,734</u>

The maturity profile of the Company's lease liabilities based on contractual undiscounted payments is set out in Note 16(e).

18. Lease arrangements - Lessor

Some properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of properties are as follows:

	2024 \$'000	2023 \$'000
Within one year	172,889	122,361
Later than one year but not later than 5 years	515,260	447,845
Later than 5 years	1,010,745	1,047,654
	<u>1,698,894</u>	<u>1,617,860</u>

19. Issued capital

	2024 \$'000	2023 \$'000
100,000,000 Ordinary Shares - fully paid (30 June 2023: 100,000,000)	100,000	100,000

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

20. Hedging reserves

	2024 \$'000	2023 \$'000
Opening balance	23,298	35,771
(Gain) / loss on amortisation / unwind of deferred restructuring impact	(21,591)	(39,397)
(Gain) / loss on hedge ineffectiveness	(7,889)	10,132
(Gain) / loss on amortisation of swaption premium	(3,710)	(701)
(Gain) / loss on interest rate swap and swaption fair value movement	6,620	(2,889)
(Gain) / loss on cross currency interest rate swap movements	2,064	33,162
(Gain) / loss on fair value adjustment to debt	8,207	(18,125)
(Gain) / loss on income tax related to amounts reclassified to profit and loss	4,890	5,345
Closing balance	<u>11,889</u>	<u>23,298</u>

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 at expiry or termination of the hedge transaction.

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21. Capital expenditure commitments

	2024 \$'000	2023 \$'000
Capital expenditure commitments		
No longer than 1 year	784,538	427,935
Longer than 1 year but no longer than 5 years	477,999	365,853
Total Property, plant and equipment commitments	<u>1,262,537</u>	<u>793,788</u>

22. Related party transactions

(a) Key management personnel compensation

	2024 \$	2023 \$
Current		
Short-term employee benefits	6,164,230	6,572,275
Long-term incentives	672,335	495,266
Resignations	384,000	565,000
	<u>7,220,565</u>	<u>7,632,541</u>

(b) Transactions within the wholly-owned group

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

The immediate parent entity is APAC (Holdings No. 2) Pty Limited.

In accordance with tax sharing arrangements (refer to Note 6) 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.

(c) Transactions with Shareholders

IFM Investors Pty Ltd and Dexus Capital Investment Services Pty Ltd, being shareholders, are considered related parties of the Company.

During FY24, IFM Investors Pty Ltd and Dexus Capital Investment Services Pty Ltd provided resourcing support to the amount of \$116,000 and \$14,000 respectively.

23. Notes to the Statement of Cash Flows

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 period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position.

Reconciliation of profit after related income tax to net cash flows from operating activities

	2024 \$'000	2023 \$'000
Profit after income tax expense for the year	298,392	139,354
Adjustments for:		
Impairment of property, plant and equipment	605	-
Non-cash movement in income tax and deferred tax expense	72,171	60,789
Amortisation of deferred borrowing costs	11,312	10,257
Hedge reserve unwind	29,483	29,266
Depreciation and amortisation of non-current assets	229,785	237,565
Gain on sale of non-current assets	(19)	(23)
Loss/(gain) on investment property	(95,299)	1,187
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(7,693)	(58,098)
(Increase)/decrease in other current assets	(1,591)	5,644
(Increase)/decrease in other non-current assets	(602)	2,009
(Increase) in accrued revenue	(119,221)	(11,079)
Increase in trade payables	146,529	25,106
Increase/(decrease) in interest payables	(7,504)	14,513
Increase in employee provisions	2,758	823
Increase/(decrease) in unearned revenue	(2,023)	9,298
Increase/(decrease) in tax payable/ receivable	51,116	(21)
(Increase) in hedge reserve	(4,890)	-
Net cash from operating activities	<u>603,309</u>	<u>466,590</u>

24. Remuneration of auditors

Audit fees for Australia Pacific Airports (Melbourne) Limited are included in the audit fees for the ultimate parent entity Australia Pacific Airports Corporation Limited.

25. Contingent liabilities

In the ordinary course of business the Company receives legal claims, but the Directors do not consider there to be any specific matters to disclose.

26. Events occurring after the reporting period

In July 2024, the Rex Group, which owed the Company \$6.4 million as of 30 June 2024, entered into administration. In response, the Company has made a provision for the full receivable amount in its financial statements for the year ended 30 June 2024. The adjustment reflects the uncertainty surrounding the recovery of the debt, which became apparent after the year-end but prior to the financial statements being finalised.

On 8 and 15 August 2024, APAC entered into interest rate hedging contracts commencing September 2024 and maturing in 2029 and 2031 with a total notional value of \$500.0 million to manage its exposure to fluctuations in interest rates on its floating-rate borrowings.

No other matters or circumstances have occurred between the balance sheet date 30 June 2024 and the date of issuance of these financial statements that would require adjustment to or disclosure in the financial statements.

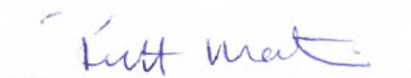
Australia Pacific Airports (Melbourne) Pty. Limited
Directors' declaration
30 June 2024

The Directors declare that:

- (a) 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 Company;
- (b) The attached financial statements and notes thereto are in compliance with International Financial Reporting Standards as stated in Note 1 to the financial statements;
- (c) 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 Directors

On behalf of the Directors



Mrs. Ruth Martin
Director

28 August 2024
Melbourne

Independent Auditor's Report to the members of Australia Pacific Airports (Melbourne) Pty Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australia Pacific Airports (Melbourne) Pty Limited (the "Company") which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible:

- For the preparation of the financial report in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the Company in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the Company, and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'J Thorne', is positioned above the printed name.

Jason Thorne
Partner
Chartered Accountants
Sydney, 28 August 2024