

Annual Report for the year
ended 30 June 2015

Australia Pacific Airports
Corporation Limited

Australia Pacific Airports Corporation Limited

Directors' Report

The Directors of Australia Pacific Airports Corporation Limited ("APAC" or the "Company") ACN 069 775 266 submit herewith the annual report of the Company for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

<i>Name</i>	<i>Appointment</i>
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Continuing

Mr D. Crawford	Chairman - Appointed 30 April 2012
Mr K. Mangini	Appointed 16 October 2009
Mr J. Harvey	Appointed 2 May 2011, Resigned 15 February 2013, Re-appointed 25 March 2013
Mr N. Maruf	Appointed 5 March 2014
Mr A. Barlass	Appointed 5 March 2014 (as alternate for Mr. N. Maruf)
Ms L. Buck	Appointed 23 July 2014 (as alternate for Mr. N. Maruf)
Mr M. Cummings	Appointed 19 February 2015 (as alternate for Ms M. Beltran), Resigned 19 March 2015 Appointed Director 19 March 2015
Mr R. Verrion	Appointed 9 February 2015
Mr S. Yu	Appointed 6 November 2014 (as alternate for Ms M. Beltran), Resigned 19 March 2015 Appointed 19 March 2015 (as alternate for Mr R. Verrion)
Mr B. Brakey	Appointed 25 February 2015
Mr D. Elia	Appointed 2 June 2015 (as alternate for Mr K. Mangini)
Mr H. Rees	Appointed 27 July 2015 (as alternate for Mr M. Cummings)

Not Continuing

Mr J. Garcia	Appointed 21 October 2011 (as alternate for Mr K. Mangini), Revoked 16 September 2014
Mr B. Hynes	Appointed 21 June 2013, Resigned 7 October 2014 Appointed 27 October 2014 (as alternate for Mr P. Foster), Revoked 6 February 2015
Ms N. Lennie	Appointed 20 January 2011, Resigned 16 December 2014
Mr S. Davies	Appointed 16 May 2013 (as alternate for Ms. M Beltran), Revoked 19 March 2015 Appointed 21 June 2013 (as alternate for Mr. B Hynes), Revoked 13 October 2014 Appointed 27 October 2014 (as alternate for Mr P. Foster), Revoked 6 February 2015
Mr P. Foster	Appointed 7 October 2014, Resigned 6 February 2015
Mr C. Woodruff	Managing Director and Chief Executive Officer - Appointed 31 August 2007, Resigned 29 June 2015
Ms M. Beltran	Appointed 17 August 2012, Resigned 19 March 2015 Appointed 19 March 2015 (as alternate for Mr M. Cummings), Revoked 27 July 2015

The above named Directors held office during and since the end of the financial year, except as stated above. Particulars of the Directors of the Company during and since the end of the financial year are set out in Appendix 1 which forms part of the Director's Report.

Australia Pacific Airports Corporation Limited

Directors' Report

Directors' meetings

The following table sets out the number of Board and Committee meetings held during the financial year, and the number of meetings attended by each Director whilst they were a Director or member of the relevant Committee. During the financial year, the total number of meetings held was eleven Board meetings, three Audit and Risk Management Committee meetings, eight Finance and Project Committee meetings and three Remuneration Committee meetings.

Directors	Board of Directors		Audit and Risk Management		Finance and Projects		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Continuing								
Mr D. Crawford	11	10	3	3	-	-	3	3
Mr K. Mangini	11	10	-	-	-	-	3	2
Mr D. Elia	1	1	-	-	-	-	-	-
Mr J. Harvey	11	10	3	3	-	-	-	-
Mr N. Maruf	11	10	-	-	8	6	1	1
Mr A. Barlass	-	-	-	-	2	2	-	-
Ms L. Buck	1	1	-	-	-	-	-	-
Mr M. Cummings	4	4	-	-	-	-	1	1
Mr R. Verrion	5	4	-	-	2	2	-	-
Mr S. Yu	1	1	-	-	2	2	-	-
Mr B. Brakey	5	5	-	-	2	2	-	-
Not continuing								
Mr J. Garcia	-	-	-	-	-	-	-	-
Mr B. Hynes	4	4	1	1	-	-	-	-
Ms N. Lennie	6	6	2	2	5	5	-	-
Mr S. Davies	1	1	-	-	-	-	-	-
Mr P. Foster	3	2	1	1	-	-	-	-
Mr C. Woodruff	11	11	3	3	8	5	3	3
Ms M. Beltran	7	6	-	-	6	3	2	2

Company Secretary	Board of Directors		Audit and Risk Management		Finance and Projects		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Continuing								
Ms L. Evans	11	11	3	3	8	7	3	0

Principal activities

The principal activities of APAC and its subsidiaries (the "Consolidated Entity") Consolidated Entity in the course of the financial year was the management of airport operations at Melbourne Airport and Launceston Airport.

Review of operations

During the year, overall passenger numbers increased from 32,336,000 in 2014 to 33,465,000 in 2015, an increase of 3.5%, resulting in improved operating and financial performance.

The Consolidated Entity had recorded revenue of \$773,167,000 (2014: \$712,584,000) and operating expenses of \$202,861,000 (2014: \$179,708,000) resulting in earnings before investment property gains, borrowing costs, tax, depreciation and amortisation of \$570,306,000 (2014: \$532,876,000) for the year ended 30 June 2015.

Changes in fair value of investment property gave rise to a non cash gain of \$61,427,000 (2014: loss \$27,077,000) which resulted in earnings before borrowing costs, tax, depreciation & amortisation of \$631,733,000 (2014: \$505,799,000).

Depreciation and amortisation expense was \$106,654,000 (2014: \$90,275,000) and total borrowing costs were \$160,792,000 (2014: \$154,880,000) giving a profit before income tax of \$364,287,000 (2014: \$260,644,000) and profit after income tax of \$255,193,000 (2014: profit after tax \$182,196,000).

Australia Pacific Airports Corporation Limited

Directors' Report

Dividends

The Directors declared a final dividend for the year ended 30 June 2014 of \$79,127,000 (0.67 cents per share) paid on 25 September 2014 and an interim dividend for the year ended 30 June 2015 of \$106,290,000 (0.90 cents per share) paid on 27 March 2015.

The Directors declared a final dividend on 28 September 2015 of \$75,000,000 (0.64 cents per share) to be paid on 9 October 2015.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Company or the Consolidated Entity.

Subsequent events

On September 15, 2015 the Company successfully completed a A\$250 million issue of secured Australian Medium Term Notes (AMTN) at a fixed rate of 4.0% for 7 years. Proceeds were used to pay down the drawn balance of the syndicated bank facility.

There has not been any matter or circumstance, other than that referred to above in respect of the final dividend declaration and AMTN issuance, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments

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

Environmental regulations

In relation to environmental matters, the Consolidated Entity is subject to the Airports Act 1996 ("the Act") and the Airports (Environment Protection) Regulations 1997 ("the Regulations"). The Board is satisfied that the results of environmental monitoring conducted by internal and external specialists during the year ended 30 June 2015 demonstrate compliance with the Act and the Regulations. The Consolidated Entity has not been subject to any prosecutions, notices or orders under the Act or Regulations during the year ended 30 June 2015.

As part of compliance, APAC prepares an Annual Report on environmental performance, a copy of which can be obtained by contacting the Company.

Indemnification of officers and auditors

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

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

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

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

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

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Corporate governance

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

Board of Directors

On the day on which the Directors' Report was made, the Board consisted of 7 non-executive Directors. Details of the Directors are set out on page 1 of the Directors' Report.

The primary responsibilities of the Board include:

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

The Board has determined to form three Committees to support the Board in the following areas:

- Audit and Risk Management;
- Finance and Projects; and
- Remuneration.

The role and purpose of each Committee is addressed in the paragraphs below.

A separate charter, agenda and minutes is maintained for each of the three Committees, and auditors and other external advisors regularly participate in meetings.

Audit & Risk Management Committee

The Audit and Risk Management Committee is comprised of three non-executive Directors and meets three times per year. The meetings provide a separate forum for the review of:

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

The Committee meets at least once a year with the External Auditor without executives being present.

The Committee is responsible for monitoring the Company's system of internal control and endorsing the Risk Management Framework. The Committee regularly monitors the operational and financial aspects of the Company's activities and considers the recommendations and advice of auditors and other external advisors on the operational and financial risks that face the Company.

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

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

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

Finance and Projects Committee

The Finance and Projects Committee is comprised of three non-executive Directors. Meetings are held as required, but at least twice per year. Its focus is on the financial arrangements of the Company, including:

- awareness of the Company's financial risk profile and monitoring the Company's financial strategy; and
- assisting the Board in reviewing the Company's corporate financial model, including the basis for any assumptions contained in the model and the process by which the model is prepared.

The Finance and Projects Committee is also charged with reviewing and reporting to the Board on any large scale projects which the Company intends to embark on including capital projects which are complex in nature. Except in the case of projects delegated by the Board to the Committee for review and approval, the Committee has no delegated authority of its own.

Australia Pacific Airports Corporation Limited

Directors' Report

Remuneration Committee

The Remuneration Committee is comprised of three non-executive Directors and meets at least four times each year. The Remuneration Committee reports to the Board in relation to:

- the contractual terms, remuneration and performance metrics of the Chief Executive Officer and the Executive Team reporting to him;
- remuneration of the Chairman and members of the Board;
- succession planning for senior executives; and
- human resources strategy and its implementation.

The Remuneration Committee has no delegated authority to make decisions on behalf of the Board.

Auditor's Independence Declaration

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

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

On behalf of the Directors



Mr D. Crawford AO

Chairman

MELBOURNE

28 September 2015



Mr John Harvey

Director & Chairman Audit and Risk Committee

MELBOURNE

28 September 2015

The Board of Directors
Australia Pacific Airports Corporation Limited
Level 2, Terminal 2
MELBOURNE AIRPORT VIC 3043

28 September 2015

Dear Board Members,

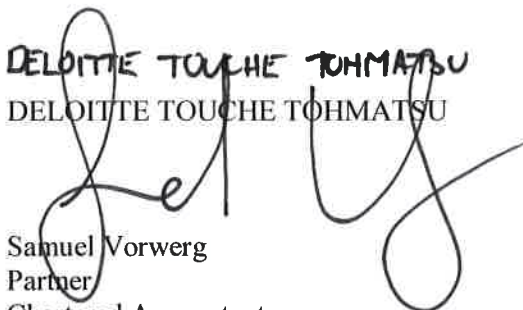
Auditors Independence Declaration - Australia Pacific Airports Corporation Limited

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

As lead audit partner for the audit of the financial statements of Australia Pacific Airports Corporation Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully


DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU
Samuel Vorweg
Partner
Chartered Accountants

Independent Auditor's Report to the members of Australia Pacific Airports Corporation Limited

We have audited the accompanying financial report of Australia Pacific Airports Corporation Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 46.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australia Pacific Airports Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Australia Pacific Airports Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner

Chartered Accountants
Melbourne, 28 September 2015

Australia Pacific Airports Corporation Limited

Directors' Declaration

The Directors declare that:

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

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

On behalf of the Directors

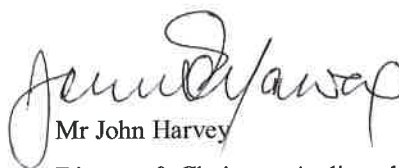


Mr D. Crawford AO

Chairman

MELBOURNE

28 September 2015



Mr John Harvey

Director & Chairman Audit and Risk Committee

MELBOURNE

28 September 2015

Australia Pacific Airports Corporation Limited

Statement of Profit or Loss and other Comprehensive Income for the financial year ended 30 June 2015

	Note	Consolidated 2015 \$'000	2014 \$'000
Revenue	2(a)	773,167	712,584
Less: operating costs			
Staff costs		(45,983)	(40,415)
Service and utilities costs		(108,745)	(101,090)
Maintenance costs		(22,660)	(19,379)
Administration and marketing costs		(11,760)	(7,366)
Other costs		(13,713)	(11,458)
Operating profit		570,306	532,876
Add/(less):			
Change in fair value of investment property	2(b)	61,427	(27,077)
Profit before borrowing costs, depreciation and amortisation		631,733	505,799
Less:			
Depreciation and amortisation expense	2(c)	(106,654)	(90,275)
Borrowing costs	2(c)	(160,792)	(154,880)
Profit before income tax expense		364,287	260,644
Less:			
Income tax expense	3(a)	(109,094)	(78,448)
Profit for the year		255,193	182,196
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges, net of income tax	20	(7,394)	(64,259)
Total comprehensive income for the year		247,799	117,937
Profit for the year attributable to the owners of the Company		255,193	182,196
Total comprehensive income attributable to the owners of the Company		247,799	117,937

Notes to the financial statements are included on pages 14 to 44

Australia Pacific Airports Corporation Limited

Statement of Financial Position as at 30 June 2015

	Note	Consolidated 2015 \$'000	2014 \$'000
<i>Current assets</i>			
Cash at bank	25(a)	2,594	72,334
Inventories		156	151
Receivables	5	68,591	57,865
Current tax receivable		3,663	-
Other current assets	6	3,616	3,246
Accrued revenue	12	7,569	7,018
<i>Total current assets</i>		86,189	140,614
<i>Non-current assets</i>			
Property, plant and equipment	7	2,551,360	1,904,936
Investment property	8	1,222,434	1,076,388
Intangible assets	10	673,251	673,711
Financial assets	11	220,719	67,702
Other assets	6	269	167
Accrued revenue	12	39,014	31,505
<i>Total non-current assets</i>		4,707,047	3,754,409
<i>Total assets</i>		4,793,236	3,895,024
<i>Current liabilities</i>			
Borrowings	13	299,775	99,300
Payables	14	137,457	128,055
Current tax liabilities		-	9,421
Employee benefit provisions		5,964	5,445
Financial liabilities	15	5,651	1,325
<i>Total current liabilities</i>		448,847	243,546
<i>Non-current liabilities</i>			
Borrowings	16	2,999,300	2,424,715
Payables	17	1,202	1,202
Deferred tax liabilities	3(b)	430,714	387,690
Employee benefit provisions		1,518	1,815
Financial liabilities	15	60,848	47,344
Unearned Income		4,045	4,332
<i>Total non-current liabilities</i>		3,497,627	2,867,098
<i>Total liabilities</i>		3,946,474	3,110,644
<i>Net assets</i>		846,762	784,380
<i>Equity</i>			
Issued capital	19	118,100	118,100
Reserves	20	(62,733)	(55,339)
Retained earnings	21	791,395	721,619
<i>Total equity</i>		846,762	784,380

Notes to the financial statements are included on pages 14 to 44

Australia Pacific Airports Corporation Limited

Statement of Changes in Equity for the financial year ended 30 June 2015

	Consolidated			Total
	Issued Capital	Hedging Reserve	Retained Earnings	
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2013	118,100	8,920	707,125	834,141
<i>Comprehensive income:</i>				
Profit for the year	-	-	182,196	182,196
<i>Other comprehensive income:</i>				
Changes in the fair value of cash flow hedges, net of income tax	-	(64,259)	-	(64,259)
Total comprehensive income for the year attributable to the owners of the Company (net of income tax)	-	(64,259)	182,196	117,937
<i>Transactions with owners:</i>				
Dividend paid	-	-	(167,702)	(167,702)
Balance at 30 June 2014	118,100	(55,339)	721,619	784,376
<i>Comprehensive income:</i>				
Profit for the year	-	-	255,193	255,193
<i>Other comprehensive income:</i>				
Changes in the fair value of cash flow hedges, net of income tax	-	(7,394)	-	(7,394)
Total comprehensive income for the year attributable to the owners of the Company (net of income tax)	-	(7,394)	255,193	247,799
<i>Transactions with owners:</i>				
Dividend paid	-	-	185,417	185,417
Balance at 30 June 2015	118,100	(62,733)	791,395	846,758

Australia Pacific Airports Corporation Limited

Statement of Cash Flows for the financial year ended 30 June 2015

	Note	Consolidated 2015 \$'000	2014 \$'000
<i>Cash flows from operating activities</i>			
Receipts from customers		828,297	758,861
Payments to suppliers and employees		(266,048)	(246,161)
Income tax paid		(75,986)	(74,871)
Interest received		2,608	6,485
Interest paid		(175,603)	(164,742)
Net cash provided by operating activities	25(c)	313,268	279,572
<i>Cash flows from investing activities</i>			
Payment for property, plant and equipment		(694,346)	(402,493)
Proceeds from sale of property, plant and equipment		24	142
Payment for investment property		(117,220)	(17,548)
Payment for intangible assets		-	(551)
Net cash used in investing activities		(811,542)	(420,450)
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		723,550	785,729
Repayment of borrowings		(100,000)	(390,000)
Payment for debt issue costs		(9,599)	(17,091)
Dividend paid	27	(185,417)	(167,702)
Net cash provided by / (used in) financing activities		428,534	210,936
Net (decrease) / increase in cash		(69,740)	68,480
Cash at the beginning of the financial year		72,334	2,426
Cash at the end of the financial year	25(a)	2,594	72,334

Notes to the financial statements are included on pages 14 to 44

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

1. Summary of accounting policies

Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. For the purposes of preparing the financial statements, Australia Pacific Airports Corporation Limited (the "Company") is a for-profit entity. The financial report includes the consolidated financial statements of the group.

Compliance with the Australian Accounting Standards ensures that the consolidated financial statements the Company together with its subsidiaries (the "Consolidated Entity").

The financial statements were authorised for issue by the Directors on 28 September 2015.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except investment property and derivative financial instruments. Historical cost is generally based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated all amounts are presented in Australian dollars.

Going concern

As at 30 June 2015, the Consolidated Entity has a deficiency in net current assets of \$362,658,000 (2014: \$102,932,000). Despite the deficiency in net current assets as at 30 June 2015, the Directors are of the view that the Consolidated Entity is a going concern due to the long history of profitability, unused finance facilities of \$822,580,000 (2014: \$1,139,200,000), forecast positive cash flows and the strong net asset position.

As at 30 June 2015, the Company has net current assets of \$20,203,000 (2014: \$20,180,000).

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (listed in note 23) as at 30 June 2015 and the results of all subsidiaries for the year then ended. The accounting policies of the subsidiaries are consistent with the Consolidated Entity's accounting policies.

Subsidiaries are all entities over which the Company has power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect the amount of the investee's returns.

Consolidation of a subsidiary begins from the date on which the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Profit or loss and comprehensive income are attributable to the owners of the Company as there are no non-controlling interests in the Consolidated Entity.

In preparing the consolidated financial statements, all inter-company balances and transactions and unrealised profits arising within the Consolidated Entity are eliminated in full.

(b) Cash

Cash comprises of cash on hand, cash in banks and investments in money market instruments.

(c) Inventories

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

(d) Receivables

Trade receivables are recorded at amortised cost less provisions for impairment.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

1. Summary of accounting policies (cont'd)

(e) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Assets acquired are recorded at the cost of acquisition being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition, or at current book value if transferred from Investment Property.

Depreciation is provided on property, including buildings, plant and equipment, roads, runways and other infrastructure but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

• Buildings	10–40 years
• Roads, runways and other infrastructure	13–80 years
• Plant and equipment	3–15 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(f) *Investment Property*

Property held to earn rentals and/or for capital appreciation, is presented in the balance sheet as investment property. Investment property is initially recorded at cost, including transaction costs. Subsequent to initial recognition, investment property is recorded at fair value as determined at year end reporting date by external valuers. Gains or losses arising from a change in the fair value of this investment property are recognised in the profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(g) *Goodwill*

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

(h) *Masterplan*

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

(i) *Impairment of assets*

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cashflows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value in which case the reversal of the impairment loss is treated as a revaluation increase.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

1. Summary of accounting policies (cont'd)

(j) *Capitalised borrowing costs*

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

(k) *Investments*

Investments in controlled entities are recorded at cost.

(l) *Payables*

Trade payables and other accounts payable are measured at amortised cost and recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) *Borrowings*

Borrowings are recorded at an amount equal to the net proceeds received. Borrowing costs are recognised on an accrual basis.

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

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

Foreign currency borrowings are reported at historic exchange rates with movement in the spot rate reflected in the profit or loss statement to the extent the borrowings are unhedged and in the hedge reserve if the borrowings are effectively hedged.

(n) *Provisions*

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

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

(o) *Superannuation*

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

(p) *Employee benefits*

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

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

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

(q) *Revenue recognition*

Aeronautical revenue

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

Security revenue

Revenue from provision of security services is recognised on an accruals basis when the service is provided.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

1. Summary of accounting policies (cont'd)

(q) *Revenue recognition (cont'd)*

Retail revenue

Retail revenue comprises revenue from car parking, ground transport and rental income from retail tenants, whose sale activities include duty free, food and beverage, banking and currency, advertising services and car rental. Revenue is recognised on an accruals basis when the service is provided.

Property revenue

Property revenue is split in two main areas. These are:

(a) Investment Property Revenue

Revenue from the investment property (as defined in 1(f)) throughout the airport is recognized on a straight line basis over the term of relevant lease agreements.

(b) Other property revenue

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

Outgoings/Recharge

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

Dividend income

Dividend income is recognised when declared.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Consolidated Entity and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other income

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

(r) *Goods and services tax*

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

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

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

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

(s) *Derivative financial instruments*

The Consolidated Entity enters into interest rate swaps and cross currency interest rate swaps. The swaps have been allocated against the underlying cross currency and interest rate exposure and to this extent modify the cross currency and interest rate risk of the underlying debt. The interest rate swaps and cross currency interest rate swaps are initially recognised at fair value on the date a contract is entered into, and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss, unless the derivative is designated and effective as a hedging instrument, in which event, the timing of recognition in profit or loss depends on the nature of the hedge relationship. Further details of derivative financial instruments are disclosed in Note 26 to the financial statements.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

1. Summary of accounting policies (cont'd)

(t) *Income tax*

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle that carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in that income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken to account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Australia Pacific Airports Corporation Ltd ("APAC") is the head entity in the tax-consolidated group. Tax expense/recovery, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'group allocation' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by APAC (as head entity in the tax consolidated group).

(u) *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 Impairment of assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are prices observable for the asset or liability, either directly or indirectly, but are not quoted prices included in level 1;
- Level 3 inputs are unobservable inputs for the asset or liability.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

1. Summary of accounting policies (cont'd)

(v) Adoption of new and revised Accounting Standards

In the current year, the Consolidated Entity has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

The adoption of all new and revised Standards and Interpretations did not materially affect the amounts reported for the current or prior periods. In addition, the new and revised Standards and Interpretations have not had a material impact and not resulted in change to the Consolidated Entity's presentation of or disclosure in these financial statements.

The following standards and amendments applied for first time in the current period, having an effective date commencing on 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- Interpretation 21 Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards

Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the group. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Consolidated Entity
AASB 9 <i>Financial Instruments</i>	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Standard also introduced a new impairment model and new rules for hedge accounting.	The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The Company are in the process of assessing how its own hedging arrangements and impairment provisions would be affected by the new rules with the impact not likely to be material.	Mandatory for financial years commencing on or after 1 January 2018. The standard was adopted by the company at 1 July 2015.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

1. Summary of accounting policies (cont'd)

(v) Adoption of new and revised Accounting Standards (cont'd)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Consolidated Entity
<i>AASB 2015 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>	In January 2015 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project.	There is no material impact on the Consolidated Entity on the disclosure requirements. Among the relevant changes to the Consolidated Entity include amendments to IFRS 7 Disclosure – Offsetting financial and financial liabilities and clarification to information disclosed elsewhere in the interim financial report for AASB 134 Interim financial reporting.	Mandatory for financial years commencing on or after 1 January 2016.
<i>AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101</i>	In January 2015, the AASB made various amendments to AASB 101 as part of the Disclosure Initiative which explores how financial statement disclosures can be improved.	There is no material impact on the Consolidated Entity on the disclosure requirements. The amendments clarify guidance in AASB 101 on • materiality and aggregation, • presentation of subtotals, • structure of financial statements and • disclosure of accounting policies.	Mandatory for financial years commencing on or after 1 January 2016.
<i>AASB 15 Revenue from contracts with customers</i>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (ie 1 January 2018) without restating the comparative period. The Consolidated Entity will only need to apply the new rules to contracts that are not completed as of the date of initial application.	ASIC is expecting companies to consider the impact of AASB 15 in preparing financial statements going forward. Management is currently assessing the impact of the new rules At this stage, the Consolidated Entity is not able to estimate the impact of the new rules on the Consolidated Entity's financial statements. The group will make more detailed assessments of the impact over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2018.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

1. Summary of accounting policies (cont'd)

(w) Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Fair value of investment property

The fair value of the investment property has been arrived at on the basis of a valuations carried out by an independent valuer. The value of investment property is measured on a fair value basis utilising the discounted cash flow approach, capitalisation approach and depreciated replacement cost where applicable, to represent the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on comparable market evidence relevant to each specific property or class of properties. These calculations require the use of assumptions, including discount rates, terminal yield and industrial and retail rental growth rates.

Impairment of goodwill

Determining whether goodwill is impaired requires an annual estimation of the value in use (or fair value less costs to dispose) of the cash generating units to which goodwill has been allocated. Fair Value less cost to sell calculation is used by the Company and requires the directors to estimate the future cash flows expected to arise from the cash generating unit and application of a pre-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 (see note 10).

Where the present value of future cash flows of a cash generating unit are less than the carrying amount of those assets, an impairment loss may arise.

The carrying amount of goodwill at 30 June 2015 was \$671,866,000 (2014: \$671,866,000). There was no impairment loss.

Useful lives of property, plant and equipment

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is calculated using a discounted cash flow approach and using inputs based on observable market data. Where material, the credit risk associated with the derivatives is reflected in its calculation methodology. Judgement is used to determine whether the credit risk associated with the derivatives has changed materially over time based on market transactions and prices and, where this is the case, the credit factor is adjusted in the valuation calculation.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

	Consolidated	
	2015 \$'000	2014 \$'000
2. Profit for the year		
(a) Revenue		
Revenue consisted of the following items:		
Aeronautical revenue	307,112	279,834
Security revenue	37,790	34,774
Retail revenue	301,461	273,145
Investment property revenue	72,362	65,061
Other property revenue	20,835	21,534
Outgoings/recharge	29,115	28,176
Interest revenue	2,608	6,485
Other income	1,858	3,468
	773,141	712,477
Net profit on sale of fixed assets	26	107
Total revenue	773,167	712,584
(b) Investment property increase/(decrease) in fair value	61,427	(27,077)
(c) Profit for the year has been derived after charging the following expenses:		
Employee benefits expense – superannuation contributions	4,437	4,157
Net bad and doubtful debts arising from other entities	39	35
Borrowing costs:		
Interest		
– Secured debt – other entities	182,901	164,863
– Unsecured debt – other entities	444	444
– Interest capitalised during the year (note 18)	(38,613)	(16,287)
– Amortisation of deferred borrowing costs (note 16)	4,495	5,380
Hedge reserve unwind	10,865	-
Borrowing cost relating to debt	700	480
Total borrowing costs	160,792	154,880
Depreciation of property, plant and equipment	106,194	89,814
Amortisation of other intangible assets	460	461
Depreciation and Amortisation	106,654	90,275

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

	Consolidated	
	2015	2014
	\$'000	\$'000
3. Income tax		
(a) Income tax recognised in profit		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
<i>Profit from operations</i>	364,287	260,644
Income tax expense calculated at 30%	109,286	78,193
<i>Permanent differences:</i>		
Non-deductible expenses	568	193
Non-deductible depreciation	62	62
Derecognition of deferred tax liabilities	(822)	-
<i>Income tax expense</i>	109,094	78,448
Income tax expense comprises of:		
Current tax expense/(benefit)	62,790	65,208
Deferred tax expense/(benefit)	47,126	13,240
Derecognition of deferred tax liabilities	(822)	-
Income tax expense	109,094	78,448

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

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

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

3. Income tax (cont'd)

(b) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	Consolidated			
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2014				
Gross deferred tax liabilities:				
Property, plant and equipment	221,843	5,463	-	227,306
Investment property	179,077	9,845	-	188,922
Deferred borrowing costs	2,896	664	-	3,560
	403,816	15,972	-	419,788
Gross deferred tax assets:				
Provisions and accruals	4,032	1,203	-	5,235
Unearned income	1,484	1,555	-	3,039
Other	182	(76)	-	106
Hedge	(3,822)	-	27,540	23,718
	1,876	2,682	27,540	32,098
Net deferred tax liability	401,940	13,290	27,540	387,690
2015				
Gross deferred tax liabilities:				
Property, plant and equipment	227,306	65,140	-	292,446
Investment property	188,922	(18,488)	-	170,434
Deferred borrowing costs	3,560	(1,954)	-	1,606
	419,788	44,698	-	464,486
Gross deferred tax assets:				
Provisions and accruals	5,235	(191)	-	5,044
Unearned income	3,039	(1,247)	-	1,792
Other	106	(54)	-	52
Hedge	23,718	-	3,166	26,884
	32,098	(1,492)	3,166	33,772
Net deferred tax liability	387,690	46,190	(3,166)	430,714

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

	Consolidated	
	2015	2014
	\$	\$
4. Remuneration of auditors		
Auditor of the Company		
<i>Deloitte Touche Tohmatsu</i>		
Auditing the financial report – statutory	242,625	215,340
Reviewing the half-year report	100,250	64,130
Auditing of regulatory accounts and compliance items	63,675	62,230
Other assurance services – EMTN issue	112,300	202,000
	518,850	543,700
Non-Audit Services		
Tax compliance and other tax advice	70,413	78,015
	70,413	78,015
Total	589,263	621,715

	Consolidated	
	2015	2014
	\$'000	\$'000
5. Current receivables		
Trade receivables (i)	68,532	57,403
GST Receivable	59	462
Less: Provision for doubtful debts	-	-
Total	68,591	57,865

- (i) Revenue is invoiced on 30 day terms, with the exception of property and rental revenue which is invoiced in advance. Most agreements allow for interest to be charged on overdue balances between 1.5% and 2.0% above overdraft rates.

The Group provides for doubtful debts based on the credit quality of the trade receivable. This is calculated from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited, due to the spread and quality of the customers.

Included in the Consolidated Entity's trade receivable balance are debtors with a carrying amount of \$4,012,000 (2014: \$3,694,000), which were overdue as at the reporting date and of which the Consolidated Entity has impaired Nil (2014: Nil) as there may be no change in credit quality and the Consolidated Entity believes that the net amount is considered recoverable.

The Consolidated Entity and the Company do hold bank guarantees in respect of some receivables but the amounts are not material.

6. Other assets

Current Assets

Prepayments	2,188	1,818
Cash on deposit for more than 3 months	1,428	1,428
Total current Asset	3,616	3,246

Non-current

Other assets	269	167
Total Non-Current Assets	269	167

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

	Consolidated					
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
7. Property, plant and equipment						
Gross carrying amount – at cost						
Balance at 30 June 2014	84,483	692,345	904,759	421,912	481,263	2,584,762
Additions	-	-	-	-	716,378	716,378
Disposals	-	-	-	(185)	-	(185)
Transfers (to) / from Investment Property	36,240	-	-	-	-	36,240
Transfers to / (from) assets under construction	-	138,627	309,833	96,450	(544,910)	-
Balance at 30 June 2015	120,723	830,972	1,214,592	518,177	652,731	3,337,195
Accumulated depreciation/ amortisation						
Balance at 30 June 2014	10,886	203,297	240,512	225,131	-	679,826
Depreciation and amortisation expense	840	29,275	36,720	39,359	-	106,194
Disposals	-	-	-	(185)	-	(185)
Transfers (to) / from Investment Property	-	-	-	-	-	-
Transfers to / (from) assets under construction	-	-	-	-	-	-
Balance at 30 June 2015	11,726	232,572	277,232	264,305	-	785,835
Net book value as at 30 June 2015	108,997	598,400	937,360	253,872	652,731	2,551,360

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

7. Property, plant and equipment (cont'd)

	Consolidated					
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount – at cost						
Balance at 30 June 2013	84,483	633,580	844,776	396,071	186,865	2,145,775
Additions	-	-	-	-	449,285	449,285
Disposals	-	(4,954)	(1,797)	(3,547)	-	(10,298)
Transfers (to) / from Investment Property	-	-	-	-	-	-
Transfers to / (from) assets under construction	-	63,719	61,780	29,388	(154,887)	-
Balance at 30 June 2014	84,483	692,345	904,759	421,912	481,263	2,584,762
Accumulated depreciation/ amortisation						
Balance at 30 June 2013	10,023	181,741	213,295	195,208	-	600,267
Depreciation and amortisation expense	863	26,510	29,012	33,429	-	89,814
Disposals	-	(4,954)	(1,795)	(3,506)	-	(10,255)
Transfers (to) / from Investment Property	-	-	-	-	-	-
Transfers to / (from) assets under construction	-	-	-	-	-	-
Balance at 30 June 2014	10,886	203,297	240,512	225,131	-	679,826
Net book value as at 30 June 2014	73,597	489,048	664,247	196,781	481,263	1,904,936

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

	Consolidated	
	2015 \$'000	2014 \$'000
8. Investment property		
Balance at beginning of financial year	1,076,388	1,085,917
Additions for the year	120,859	17,548
Transfer (to)/from property, plant and equipment	(36,240)	-
Net gain/(loss) from fair value adjustment	61,427	(27,077)
Balance at end of financial year	1,222,434	1,076,388

The fair value of the investment property as at 30 June 2015 and 30 June 2014 has been arrived at on the basis of a valuation carried out by Mr. Peter Fay AAPI in 2015 and 2014 of the firm Jones Lang LaSalle. Mr. Fay is an independent valuer, a member of the Institute of Valuers of Australia and has appropriate qualifications and extensive experience of valuing property for the Consolidated Entity.

The value of investment property is measured on a fair value basis utilising the discounted cash flow approach, capitalization approach and depreciated replacement cost where applicable, to represent the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on comparable market evidence relevant to each specific property or class of properties. In assessing fair value, current and potential future income has been capitalised using yields derived from market evidence. The fair value measurement hierarchy used in calculating fair value has been classified as level 3 on the basis that there are significant inputs that are not based on observable market data.

Unobservable inputs include:

- A discount rate ranging from 8.5% to 9.0%;
- A terminal yield taking into account management's experience and knowledge of market conditions ranging from 7.25% to 8.25% and
- Industrial and retail rental growth rates, taking into account management's experience and knowledge of market conditions ranging from 2.49% to 3.0%.

The higher the discount rate and terminal yield the lower the fair value. The higher the current and potential future income or rental growth rate, the higher the fair value.

The Consolidated Entity has historically had a low level of void properties.

All outgoing in relation to investment properties are recoverable by the Consolidated Entity.

There has been no change to the valuation technique during the year. The Consolidated Entity reviews on an annual basis any material changes in the valuation techniques and market data inputs used.

The Consolidated Entity provided investment property (along with land and buildings in note 7) as security for loans as disclosed in note 16.

9. Lease arrangements

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

Within one year	46,799	41,097
Later than one year but not later than 5 years	190,124	189,312
Later than 5 years	746,818	794,428
	983,741	1,024,837

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

		Consolidated	
		2015	2014
		\$'000	\$'000
10.	Intangible assets		
	Goodwill (i)	671,866	671,866
	Masterplan (ii)	1,385	1,845
		673,251	673,711

- (i) Goodwill has been allocated for impairment testing to two cash generating units, being the Melbourne and Launceston Airports. The carrying amount of goodwill was allocated to cash-generating units as follows:

Melbourne Airport	667,700	667,700
Launceston Airport	4,166	4,166

The recoverable amount of the cash generating units is determined by a 'fair value less cost to sell' calculation using a discounted cash flow analysis. The fair value measurement of the cash generating unit is categorised as Level 3 based on the fair value hierarchy.

The methodology adopted to value the Melbourne and Launceston Airports 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 capitalized 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.

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 information provided by an independent firm, Tourism Futures International.

Dividends are expected to be fully franked and payout ratios are based on a range of factors including the achievement of credit metrics. Terminal value was calculated to cover the period from the twentieth year to 99th year (the government's lease period) based on a sustainable level of forecast distributions and a capitalisation amount based on a constant terminal growth rate of 2.5%.

Cash flows were discounted using a cost of equity as the cash flows are based on distributions to investors. In estimating individual components of the cost of equity, the Consolidated Entity has taken into account historical and related market data. A pre-tax discount rate in the range of 10.3% to 11.2% per annum was used (2014: 11.0% to 11.9%). The discounted cash flows are particularly sensitive to cost of equity, inflation and debt margins. Reasonable possible changes in these assumptions would not result in an impairment loss.

(ii) Masterplan

Gross carrying amount – at cost

Balance at 1 July 2014	2,745	2,194
Additions	-	551
Balance at 30 June 2015	2,745	2,745
Accumulated amortisation		
Balance at 1 July 2014	(900)	(439)
Amortisation expense	(460)	(461)
Balance at 30 June 2015	1,360	(900)
Net book value at 30 June 2015	1,385	1,845

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

	Consolidated	
	2015	2014
	\$'000	\$'000
11. Financial assets		
Cross currency interest rate swaps	220,719	67,702
12. Accrued Revenue		
<i>Accrued operating lease revenue:</i>		
Balance at beginning of period	38,523	32,049
Accrual for the year	8,060	6,474
Balance at the end of the year	46,583	38,523
- Current	7,569	7,018
- Non-current	39,014	31,505
13. Current borrowings		
<i>Secured:</i>		
Domestic bonds (i)		
- Fixed rate notes (6.25% 25 August 2014)	-	100,000
- Fixed rate notes (6.0% 15 December 2015) (ii)	100,000	-
- Variable rate notes (15 December 2015) (ii)	200,000	-
Deferred borrowing costs	(225)	(700)
	299,775	99,300
(i) Secured by a fixed and floating charge over the company's assets.		
(ii) Debt subject to credit wrapping by MBIA Inc		
14. Current payables		
Trade payables (i)	101,453	96,601
Goods and services tax payable	-	20
	101,453	96,621
Interest payable to:		
- Secured debt – bank (iii)	33,836	25,262
- Other payables (ii)	240	375
- Unearned revenue	1,928	5,797
	36,004	25,637
	137,457	128,055
(i) The average credit period for purchases and services was 31 days. No interest is charged on trade payables.		
(ii) The credit period for services for non trade payables to other related parties was 90 days. No interest is charged on non trade payables to other related parties.		
(iii) Secured by a fixed and floating charge over the Consolidated Entity's assets. Security given is all the assets of all operating companies. There have been no defaults on loans payable during the current or prior years.		

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

Consolidated

2015
\$'000

2014
\$'000

15. Financial liabilities

Current

- Interest Rate Swaps	5,651	1,325
Total Current	5,651	1,325

Non- Current

- Interest Rate Swaps	42,058	47,344
- Cross currency interest rate swaps	18,790	-
Total Non-Current	60,848	47,344

16. Non-current borrowings

Secured:

- Bank debt (i)	257,800	39,300
- Domestic Bonds (i)		
Fixed rate notes (6.0% 15 December 2015)	-	100,000
Variable rate notes (15 December 2015)	-	200,000
Fixed rate notes (7.0% 25 August 2016)	250,000	250,000
Fixed rate notes (5.0% 4 June 2020)	225,000	225,000
- US Private Placements (i)		
Fixed rate US \$200m (7.8% 15 September 2021) (ii)	191,077	191,077
Fixed rate US \$200m (7.7% 15 September 2023) (ii)	191,077	191,077
Fixed rate US \$200m (7.6% 15 September 2026) (ii)	191,077	191,077
Fixed rate notes (5.95% 15 January 2028)	50,000	50,000
Fixed rate notes (5.875% 15 November 2022) (iii)	125,000	125,000
- European Bonds		
Variable rate notes (26 September 2023) (iv)	784,929	784,929
Fixed rate notes (5.05% 15 October 2024) (v)	505,050	-
	2,771,010	2,347,460

Exchange rate fluctuation (Fair value hedge)	216,069	76,283
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Financial liabilities valued at fair value through profit and loss	38,638	21,810
--	--------	--------

	3,025,717	2,445,553
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Deferred borrowing costs	(26,417)	(20,838)
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	2,999,300	2,424,715
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Amortisation of borrowings costs, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

Amortisation of deferred borrowing costs	4,495	5,380
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(i) Secured by a fixed and floating charge over the entity's assets

(ii) Excludes cross currency swaps that convert the US private placement notes US \$600m into AUD

(iii) Converted from floating to fixed rate note per agreement on 15 November 2014

(iv) Excludes cross currency swaps that converts the Euro note €550m into AUD

(v) Excludes cross currency swaps that converts the Euro note €350m into AUD

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

Consolidated

2015
\$'000

2014
\$'000

17. Non-current payables

Undistributed capital note liability	1,202	1,202
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Capital notes are entitled to 1/9th of net profit with distribution equal to 1/9th of declared dividends. Capital notes are redeemable at the end of the Launceston Airport lease.

18. Capitalised interest charges

Property, plant and equipment	34,973	16,043
Investment property	3,640	244
	38,613	16,287

Weighted average capitalisation rate on funds borrowed during the year was 6.58% (2014: 7.00%)

19. Issued capital

118,100,000 Ordinary shares – fully paid (2014: 118,100,000)	118,100	118,100
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Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

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

20. Reserves

Hedge reserves

Balance at beginning of financial year	(55,339)	8,920
Gains / (loss) recognised:		
Fair value adjustment	(21,422)	(91,799)
Deferred tax arising on cashflow hedges	6,423	27,540
Transfer from hedge reserve to profit and loss	10,865	-
Deferred tax arising from adjustment	(3,260)	-
	(7,394)	(64,259)
Balance at end of financial year	(62,733)	(55,339)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction occurs.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

Consolidated

2015
\$'000

2014
\$'000

21. Retained earnings

Balance at beginning of financial year	721,619	707,125
Profit for the year	255,193	182,196
Dividends paid	(185,417)	(167,702)
Balance at end of financial year	791,395	721,619

22. Commitments for expenditure

Capital expenditure commitments

Property, plant and equipment

Not longer than 1 year	126,511	604,149
Longer than 1 year but not longer than 5 years	151	15,407
	126,662	619,556

23. Subsidiaries

Name of entity		Country of incorporation	Ownership Interest	
			2015 %	2014 %
Parent entity				
Australia Pacific Airports Corporation Limited		Australia		
Subsidiaries				
APAC (Holdings No 2) Pty. Limited		Australia	100	100
– Australia Pacific Airports (Melbourne) Pty. Limited		Australia	100	100
Australia Pacific Airports (Property) Pty. Limited	(i) (ii)	Australia	100	100
APAC (Holdings) Pty. Limited	(i)	Australia	100	100
– Australia Pacific Airports (Launceston) Pty. Limited	(i)	Australia	100	100

(i) These subsidiaries are classified as small proprietary companies and in accordance with the Corporations Act 2001 are relieved from the requirement to prepare, audit and lodge financial statements.

(ii) This subsidiary was dormant during the financial year.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

24. Related party disclosures

(a) *Equity interests in related parties*

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 23 to the financial statements.

(b) *Key management personnel compensation*

The aggregate compensation of the key management personnel of the Company is set out below:

The key management personnel during the year were, Mr D.Crawford, Mr C.Woodruff, Ms N. Lennie, Mr A.Watson, Ms L.Evans, Ms C.Newsone, Mr L.Horton, Mr S.Gandy, Ms C. Dixon, Mr P. Hodgen, Mr A. Gardiner, Ms S. Renner, Ms L. Argus , B Thompson

	Consolidated 2015 \$	2014 \$
Short-term employee benefits	6,886,151	5,682,260
Long-term incentives	2,445,915	996,606
Terminations	888,000	-
	10,220,066	6,678,866

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

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

During the financial year APAC provided operational administration services at cost to other entities in the wholly-owned group of \$202,374 (2014: \$261,727), which were recorded against intercompany loans and eliminated on consolidation.

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

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

(d) *Executory contracts*

The Consolidated Entity entered into a consultancy arrangement before 30 June 2015 with Mr C. Woodruff for the period 1 July 2015 to 30 June 2017 to a maximum value of \$2,664,000. The payments are dependent on the provision of services by Mr C. Woodruff.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

Consolidated

2015	2014
\$'000	\$'000

25. Notes to the Cash Flow Statement

(a) Reconciliation of cash

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

– Cash at bank	2,594	72,334
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(b) Financing facilities

Unsecured bank overdraft facility reviewed annually:

• Amount used	-	-
• Amount unused	20,380	18,500

Bank Debt (i)

• Amount used	257,800	39,300
• Amount unused	802,200	1,120,700

Domestic Bonds (i)

• Fixed rate notes (6.5% 25 August 2014)	-	100,000
• Fixed rate notes (6.0% 15 December 2015) (ii)	100,000	100,000
• Variable rate notes (15 December 2015) (ii)	200,000	200,000
• Fixed rate notes (7.0% 25 August 2016)	250,000	250,000
• Fixed rate notes (5.0% 4 June 2020)	225,000	225,000

US Private Placement (i)

• Fixed rate US \$200m (7.8% 15 September 2021) (iii)	191,077	191,077
• Fixed rate US \$200m (7.7% 15 September 2023) (iii)	191,077	191,077
• Fixed rate US \$200m (7.6% 15 September 2026)	191,077	191,077
• Fixed rate (5.95% 15 January 2028)	50,000	50,000
• Fixed rate notes (5.875% 15 November 2022) (iv)	125,000	125,000

European Bonds (i)

• Variable rate notes (26 September 2023) (v)	784,929	784,929
• Fixed rate notes (5.05% 15 October 2024) (vi)	505,050	-

(i) Secured by a fixed and floating charge over the company's assets

(ii) Debt subject to credit wrapping by MBIA Inc

(iii) Excludes cross currency swaps that convert the US private placement notes US \$600m into AUD

(iv) Converted from floating to fixed rate note per agreement on 15 November 2014

(v) Excludes cross currency swaps that converts Euro note €550m into AUD

(vi) Excludes cross currency swaps that converts the Euro note €350m into AUD

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

Consolidated

2015	2014
\$'000	\$'000

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

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

Profit for the year	255,193	182,196
Net profit on sale of non-current assets	(26)	(100)
(Gain)/loss on investment property	(61,427)	27,077
Hedge reserve unwind	10,865	-
Depreciation of property, plant and equipment	106,655	90,275
Amortisation of deferred borrowing costs	4,495	5,380
Capitalised interest during the year	(38,613)	(16,287)
Revenue reduction of lease premium	(8,161)	(6,474)
Deferred tax liabilities	46,190	13,288
(Increase)/decrease in assets:		
Current receivables	(10,746)	(14,500)
Current inventories	(5)	32
Other current assets	(373)	(1,548)
Increase/(decrease) in liabilities:		
Current trade payables	17,797	8,834
Interest payable	8,440	1,045
Tax payable	(13,083)	(9,711)
Current employee benefit provisions	519	(147)
Unearned income	(4,155)	(83)
Non current employee benefit provisions	(297)	295
Net cash from operating activities	313,268	279,572

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

26. Financial instruments

(a) Capital risk management

The Consolidated Entity manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt while maintaining a strong investment grade credit rating.

The capital structure of the Consolidated Entity consists of debt, which includes the borrowings disclosed on Notes 13 and 16, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 19, 20 and 21 respectively.

The Consolidated Entity's overall strategy remains unchanged from 2014. During the financial period the Consolidated Entity has complied with all imposed capital requirements including bank covenants.

(b) Significant accounting policies

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

(c) Categories of Financial Instruments

	Consolidated	
	2015 \$'000	2014 \$'000
Financial Assets		
Cash at Bank	2,594	73,762
Loans and receivables:		
Trade receivables	68,532	57,403
GST Receivable	60	462
Tax receivable	3,663	
Cross Currency Interest Rate Swaps	220,719	67,702
Financial Liabilities		
Amortised cost:		
Trade payables	101,453	96,601
GST payable	-	20
Interest payable	34,076	25,637
Tax payable	-	9,421
Current interest rate swaps	5,651	1,325
Other current non trade payables	4,045	5,797
Borrowings	3,299,075	2,524,015
Non current payables	1,202	1,202
Interest rate swaps	42,058	47,344
Cross Currency Interest Rate Swaps	18,790	-

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

26. Financial instruments (cont'd)

(d) *Financial risk management objectives*

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

(e) *Interest rate risk management*

The Consolidated Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate, including interest rate swaps, forward interest rate contracts and cross currency hedges to mitigate the risk of rising interest rates.

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

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

(f) *Interest rate sensitivity*

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

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

- Net profit would increase/decrease by \$602,000 (2014: increase/decrease by \$1,673,000). This is due to interest rates on its variable rate borrowings.
- Other equity reserves would increase/decrease by \$12,528,000 (2014: increase/decrease \$1,006,000) mainly as a result of the changes in fair value of available for sale fixed rate instruments.

The Consolidated Entity has no material interest revenue.

(g) *Cross Currency Sensitivity*

- Foreign currency exposures are predominantly hedged through a combination of fair value and cash flow hedges. The impact of foreign currency movements to the profit or loss and cash flow reserve, and sensitivity to such movements, is therefore not significant. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's other equity reserves would increase/decrease by \$2,421,000 (2014: increase/decrease \$6,478,000) mainly as a result of the changes in fair value of fixed rate instruments available for sale.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

26. Financial instruments (cont'd)

(h) Interest rate swap contracts

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

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

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair Value of interest rate swaps	
	2015 %	2014 %	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Consolidated						
Less than 1 year	5.6	4.4	470,000	200,000	(5,651)	(1,325)
1 to 2 years	5.6	5.6	112,000	470,000	(4,847)	(18,437)
2 to 5 years	-	5.6	-	112,000	-	(6,879)
5 years +	6.7	6.6	324,000	324,000	(37,211)	(22,029)
			906,000	1,106,000	(47,709)	(48,670)

The fair value of these contracts as at 30 June 2015 is disclosed in Note 20

(i) Foreign currency risk management

The Consolidated Entity undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

(j) Foreign currency exchange contracts

The Consolidated Entity enters cross currency interest rate swaps. The swaps have been allocated against the underlying cross currency exposure and to this extent modify the cross currency risk of the underlying debt. The cross currency interest rate swaps are initially recognised at fair value on the date a contract is entered into, and are subsequently remeasured to their fair value at each reporting date.

Outstanding contracts	Average exchange rate		Foreign Currency		Notional principal amount		Fair Value of cross currency interest rate swaps	
	2015	2014	2015 FC'000	2014 FC'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Consolidated								
USD 5 years +	0.8367	0.9185	600,000	600,000	573,231	573,231	149,127	3,465
EUR 5 years +	0.6960	0.7930	900,000	550,000	1,289,979	784,929	52,802	64,237
					1,863,210	1,358,160	201,929	67,702

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

26. Financial instruments (cont'd)

(k) Liquidity risk

The following table details the Consolidated Entity's exposure to liquidity risk as at 30 June 2015.

2015	Weighted average effective interest rate %	1-3 Months \$'000	3 Months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial Assets						
Current Receivables	-	68,591	-	-	-	68,591
Cash at Bank	-	2,594	-	-	-	2,594
Tax receivable	-	3,663	-	-	-	3,663
Cross Currency Interest Rate Swaps	-	-	-	-	220,719	220,719
		74,848	-	-	220,719	295,567
Financial liabilities						
Current trade payables	-	101,453	-	-	-	101,453
Interest payable	-	33,836	-	-	-	33,836
Bank loans	3.5	-	-	257,800	-	257,800
Domestic bonds						
- Fixed rate notes (15 December 2015)	6.0	-	100,000	-	-	100,000
- Variable rate notes (15 December 2015)	2.7	-	200,000	-	-	200,000
- Fixed rate notes (25 August 2016)	7.0	-	-	250,000	-	250,000
- Fixed rate notes (4 June 2020)	5.0	-	-	225,000	-	225,000
US Private Placement:						
US \$200m Due 15 September 2021 – fixed (i)	7.8	-	-	-	191,077	191,077
US \$200m Due 15 September 2023 – fixed (i)	7.7	-	-	-	191,077	191,077
US \$200m Due 15 September 2026 – fixed (i)	7.6	-	-	-	191,077	191,077
Fixed rate (15 January 2028)	5.95	-	-	-	50,000	50,000
Fixed rate (15 November 2022)	5.875	-	-	-	125,000	125,000
European Bonds:						
Variable rate notes (26 September 2023) (ii)	5.74	-	-	-	784,929	784,929
Fixed rate (15 October 2024) (iii)	5.05	-	-	-	505,050	505,050
Cross Currency Interest Rate Swaps	-	-	-	-	18,790	18,790
Interest rate swaps	-	2,207	3,444	4,847	37,211	47,709
		137,496	303,444	737,647	2,094,211	3,272,798

(i) Excludes cross currency swaps that convert the US private placement notes of US \$600m into AUD \$.

(ii) Excludes cross currency swaps that convert Euro Note €550m into AUD.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

26. Financial instruments (cont'd)

(k) Liquidity risk (cont'd)

The following table details the Consolidated Entity's exposure to liquidity risk as at 30 June 2014.

2014	Weighted average effective interest rate %	1-3 Months \$'000	3 Months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial Assets						
Current Receivables	-	57,865	-	-	-	57,865
Cash at Bank	-	73,762	-	-	-	73,762
Equity Instruments at fair value through other comprehensive income	-	-	-	-	67,702	67,702
		131,627	-	-	67,702	199,329
Financial liabilities						
Current trade payables	-	96,601	-	-	-	96,601
Other payables	-	5,797	-	-	-	5,797
Interest payable	-	25,637	-	-	-	25,637
Tax payable	-	9,421	-	-	-	9,421
Bank loans	4.4	-	-	39,300	-	39,300
- Fixed rate notes (25 August 2014)	6.5	100,000	-	-	-	100,000
- Fixed rate notes (15 December 2015)	6.0	-	-	100,000	-	100,000
- Variable rate notes (15 December 2015)	2.9	-	-	200,000	-	200,000
- Fixed rate notes (25 August 2016)	7.0	-	-	250,000	-	250,000
- Fixed rate notes (4 June 2020)	5.0	-	-	-	225,000	225,000
US Private Placement						
US \$200m Due 15 September 2021 – fixed (i)	7.8	-	-	-	191,077	191,077
US \$200m Due 15 September 2023 – fixed (i)	7.7	-	-	-	191,077	191,077
US \$200m Due 15 September 2026 - fixed (i)	7.6	-	-	-	191,077	191,077
Fixed rate (15 January 2028)	5.9	-	-	-	50,000	50,000
Variable rate (15 November 2022)	5.875	-	-	-	125,000	125,000
European Bond						
Variable rate note (26 September 2023) (ii)	5.74	-	-	-	784,929	784,929
Interest rate swaps	-	-	1,325	47,344	-	48,669
		237,456	1,325	636,644	1,758,160	2,633,585

(i) Excludes cross currency swaps that convert the US private placement notes of US \$600m into AUD \$.

(ii) Excludes cross currency swaps that convert Euro Note €550m into AUD.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

26. Financial instruments (cont'd)

(l) Credit risk management

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

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

(m) Fair value

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

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

Financial liabilities	Carrying amount \$'000		Net fair value \$'000	
	2015	2014	2015	2014
Borrowings – Other entities	1,202	1,202	7,890	8,432

The following tables present the Consolidated Entity's financial assets and liabilities measured and recognised at fair value at 30 June 2015. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Cross currency interest rate swaps	-	220,719	-	220,719
Total assets	-	220,719	-	220,719
Liabilities				
Interest rate swaps	-	47,709	-	47,709
Cross currency interest rate swaps	-	18,790	-	18,790
Total liabilities	-	66,499	-	66,499

There were no transfers between levels in the period.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

26. Financial instruments (cont'd)

(n) Liquidity risk management

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

	Consolidated	
	2015 \$'000	2014 \$'000
27. Dividends		
Fully franked dividend paid during the financial year (refer to Director's Report for details) (2015: \$1.54 per share, 2014: \$1.42 per share)	185,417	167,702
Franking account	33,922	37,400
	Company	
	2015 \$'000	2014 \$'000

28. Company disclosures

(a) Financial position:

Assets:

Current assets	20,203	29,601
Non-current assets	127,411	127,444
Total assets	147,614	157,045

Liabilities:

Current liabilities	-	9,421
Total liabilities	-	9,421

Net Assets

147,614	147,624
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Equity:

Issued capital	118,100	118,100
Retained earnings	29,514	29,524
Total equity	147,614	147,624

Financial performance:

(b) Profit for the year	185,417	167,697
Other comprehensive income		
Total comprehensive income	185,417	167,697
Non balance sheet commitments:		
(c) Guarantees of debt	-	-
Contingent liabilities	-	-
Commitments for the acquisition of property, plant and equipment by the parent company	-	-

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2015

29. Subsequent events

The Directors declared a final dividend on 28 September 2015 of \$75,000,000 (0.64 cents per share) to be paid on 9 October 2015.

On September 15, 2015 the Company successfully completed a A\$250 million issue of secured Australian Medium Term Notes (AMTN) at a fixed rate of 4.0% for 7 years. Proceeds were used to pay down the drawn balance of the syndicated bank facility.

30. Contingent Liabilities

There are a number of legal claims and exposures that arise from construction contracts in the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of liability, if any, that may arise cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provisions have been made for any anticipated losses.

In the event, that a future liability does arise, to the extent that the amount relates to a capital project, the amount will be capitalised with the costs of that project.

31. Additional Company Information

Australia Pacific Airports Corporation Limited ACN 069 775 266 is an unlisted public company incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business

Level 2, Terminal 2

Melbourne Airport

(03) 9297 1600

Website: www.melbourneairport.com.au

Email: reception@melair.com.au

DAVID CRAWFORD AO

Chairman of the Board

David Crawford was appointed Chairman of APAC in April 2012.

David is also the Chairman of South32 and Lend Lease Corporation Limited, and a Member of Advisory Boards for Allens, Evans & Partners Pty Ltd, and Bank of America Merrill Lynch.

David retired as a Partner and National Chairman of KPMG in 2001 after more than 30 years service.

In his professional capacity as a Partner of KPMG, he has specialised in working in the restructuring of companies in financial difficulties. He has acted as a consultant and/or advisor to several major companies and government departments.

He has conducted reviews of the structure and governance of the Australian Football League, Soccer in Australia and the Australian Cricket Board. He was Chairman of the Committee appointed by the Federal Government to report on the Future of Sport in Australia

David holds a Bachelor of Commerce and a Bachelor of Law from the University of Melbourne, is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Australian Society of Certified Practising Accountants and a Fellow of the Institute of Company Directors in Australia.

KYLE MANGINI

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

Kyle is the Global Head of Infrastructure at IFM Investors where he is responsible for managing all aspects of IFM Investors' \$20 billion infrastructure portfolio. Kyle is a member of IFM Investors' Investment Committee.

Kyle has over 25 years of experience in investment banking and asset management, including senior roles with Credit Suisse First Bank and SBC Warburg. He has infrastructure experience in Asia, Australia, Europe and North and South America. His relevant transaction experience includes the execution of mergers, acquisitions, divestitures, initial public offerings, public bond offerings, Rule 144A private placements, commercial bank facilities and derivatives. Kyle is a director of Pacific Hydro and the Carmine and Frank Mangini Foundation, and a former director of Brisbane Airport and Darwin Airport.

JOHN HARVEY

John has been a Director of APAC since May 2011 apart from a one month hiatus in early 2013.

John has been a professional company director for 15 years, having served on the Boards of over 20 listed and non-listed companies. John is a director of Pacific Hydro.

John was a previous CEO of PWC in Australia, a partner of that firm for 20 years, and also has served as the CEO of the Mt Eliza Business School. He has professional qualifications in law and accounting.

NADIR MARUF

Nadir was appointed a Director of APAC on 5 March 2014.

Nadir is currently Head of Alternatives and Real Assets for Asia Pacific within the Asset and Wealth Management division of Deutsche Bank. He is responsible for the management of the Infrastructure business in Asia Pacific, as well as the various Real Estate strategies which the platform operates throughout the various countries in the region. Nadir has a background in infrastructure investment and prior to joining the team as Head of Infrastructure for Asia Pacific (formerly RREEF Infrastructure) in February 2011, Nadir was a Managing Director in the Infrastructure team in Europe, based in London.

Nadir has an MBA from the University of Durham; M-Eng, MA in Chemical Engineering from the University of Cambridge.

MICHAEL CUMMINGS

Michael Cummings was appointed a Director of APAC on 19 March 2015

Michael is Head of Australia and New Zealand Funds including AMP Capital's domestic "flagship" wholesale Infrastructure Equity Fund, and is also responsible for the key investment sectors teams of Airports, Transport, and Energy & Utilities. He has over 24 years of international experience in the infrastructure sector – having held senior executive positions in a number of major energy infrastructure companies.

Before commencing his role at AMP Capital in June 2012, Michael was the COO (Energy) at Brookfield Infrastructure – responsible for the investment performance of a multi-\$billion global portfolio of energy and utility infrastructure assets in Australia, US, UK, and NZ. This involved international governance roles as the Director on a number of company boards around the world – including NGPL (one of the largest US gas transmission companies), DBNGP in Western Australia, and IEG (a large multi-utility in the UK). Prior to this, Michael was CEO, Gas Division for the leading energy infrastructure company in New Zealand, where he was responsible for all aspects of the company's gas business; including processing, transmission, distribution and sales. He has gained significant international experience in the energy industry, having held several senior leadership, management roles in a number of different regulatory regimes, since commencing his career with British Gas in 1990.

Michael is a Graduate Member of the Australian Institute of Company Directors and the Institute of Directors NZ, and a member of the Institution of Professional Engineers, New Zealand. He holds a Bachelor of Engineering (Hons) degree from the University of Edinburgh, and is a Graduate of the Strategic Leadership Programme at Millbrook, NZ.

ROB VERRION

Rob Verrion was appointed a Director of APAC on 9 February 2015.

Rob is also a member of the board of Compania Logistica de Hidrocarburos S.A. ('CLH') which operates Spain's petroleum products logistics system. Previously Rob was Head of Asset Management, European Infrastructure, for AMP Capital Investors, prior to which he had spent thirty years in the infrastructure and logistics industries as a senior executive for a number of companies including British Gas Plc, Metrogas S.A. (Argentina) and Transco Plc (now National Grid Plc). Rob has served on the boards of a number of listed and non-listed companies including those of Gas Argentino S.A., Metrogas S.A., Transco Plc, Thames Water Utilities Ltd, Angel Trains Group Ltd, Alpha Trains and Wales and West Utilities Ltd.

Rob has a B.Sc. degree in mathematics from the University of Southampton, is a Fellow of the Institute of Chartered Accountants in England and Wales, a Companion of the Institution of Gas Engineers and Managers and has executive coaching qualifications from the London School of Coaching and the University of Strathclyde.

BARRY BRAKEY

Barry Brakey was appointed a Director of APAC on 25 February 2015.

Barry is the Head of Property at the Future Fund. Since joining the Future Fund in April 2008, he has been responsible for establishing the property investment program, including developing a strategy, recruiting and managing an investment team and making a series of property investments.

Barry is a member of the Fund's Investment Committee and represents the Fund on several Boards and Investment Advisory Committees for property and infrastructure.

Prior to joining the Future Fund, Barry was operating his own advisory business, managing the property portfolios for a number of Australian government, industry and corporate superannuation and investment funds.

Barry is a past National President of the Australian Property Institute.

Barry holds professional qualifications in property valuation and is a Life Fellow of the Australian Property Institute.

COMPANY SECRETARY

LISA EVANS

General Counsel and Company Secretary

Lisa joined APAC in March 2009 and is the Company Secretary of APAC and its subsidiaries. Lisa is responsible for the legal, insurance and governance functions of the business.

Lisa holds a Bachelor of Laws and Bachelor of Arts (with a major in Japanese language) from the University of Canterbury in Christchurch. Lisa has been admitted as a Barrister and Solicitor of the High Court of New Zealand and was admitted to legal practice in Victoria in 2000. Lisa is also a Member of the Australian Institute of Company Directors.

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