

Australia Pacific Airports Corporation Limited

ACN 069 775 266

Half Year Report - 31 December 2023

Australia Pacific Airports Corporation Limited
Contents
31 December 2023

Directors' report	2
Independent auditor's review report to the members of Australia Pacific Airports Corporation Limited	5
Directors' declaration	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12

General information

This half year report reflects Australia Pacific Airports Corporation Limited and its subsidiaries as a consolidated group. The financial statements contained within this half year report are presented in Australian dollars, which is Australia Pacific Airports Corporation Limited's functional and presentation currency.

Australia Pacific Airports Corporation Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

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

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

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

Australia Pacific Airports Corporation Limited
Directors' report
31 December 2023

The Directors of Australia Pacific Airports Corporation Limited (the Company) and its controlled entities (the Group or APAC) present their report for the period ended 31 December 2023.

Directors

The following persons were directors of the Group during the whole of the financial period and up to the date of this report, unless otherwise stated:

Name	Position	Period of directorship
Peter Hay	Chairman	Appointed 1 June 2019
Michael Cummings	Director	Appointed 19 March 2015
Danny Elia	Director	Appointed 6 October 2015
James Fraser-Smith	Director	Appointed 15 September 2016
Raphael Arndt	Director	Appointed 29 August 2019
Talieh Williams	Director	Appointed 1 January 2022
Samantha Lewis	Director	Appointed 24 October 2022
Michael Faulkner	Director	Appointed 13 November 2023
David Dowling	Director	Appointed 14 June 2022, Resigned 15 September 2023
Daniel Fitzpatrick	Director	Appointed 15 September 2023, Resigned 13 November 2023

Principal activities

During the six months ended 31 December 2023, the principal activity of the Group was the ownership and management of Melbourne Airport and Launceston Airport.

Dividends

The Directors are proposing a dividend for the half year ended 31 December 2023 of \$171,451,000 (\$1.45) per share to be paid in March 2024.

Dividends paid during the financial period were as follows:	31 December	31 December
	2023	2022
	\$'000	\$'000
Final dividend for the year ended 30 June 2023 (2022: Nil): \$1.19 per ordinary share	<u>141,305</u>	<u>-</u>

Review of operations

The past six months delivered a significant milestone for the Group, with 18.4 million passengers passing through Melbourne and Launceston airports, a 17% increase on the half year ended 31 December 2022, and the full restoration of international capacity to Melbourne and Victoria.

5.5 million international passengers, a 46.7% increase on the half year ended 31 December 2022, travelled through Melbourne Airport resulting from a focus on rebuilding and growing capacity across new and existing markets. Melbourne Airport added 10 per cent of services from new routes, additional frequency on existing routes and welcoming new Airline partners with diversification and growth in new markets a priority.

In less than twelve months since travel to and from mainland China resumed, services to China in the month of December 2023 were 105 per cent of December 2019 capacity, or 94 per cent including Hong Kong.

Flights to India have tripled, servicing Australia's largest Indian population, situated in Melbourne. India, along with new services in South East Asia, the United States, the Middle East and beyond sees Melbourne airport now connected to 39 international destinations by 38 international Carriers.

In January, the announcement of the arrival of Turkish Airlines marks Melbourne's first European Airline, with Melbourne as its first Australian port, it connects Melbourne to Istanbul and to the Airlines extensive network within Europe and Africa.

The Group welcomed 12.9 million domestic passengers in the six months to December 2023 with domestic travel now supported by international arrivals. Leisure routes continue to perform strongly while the key business route Melbourne to Sydney is operating at around 90 per cent of 2019. Though domestic airline performance has improved on time performance and cancellations remain higher than 2019.

With the rapid increase in international travel, the capital program across the precinct is progressing to cater for passenger demand. Notable milestones during the half year included:

- continued construction of the Northern Infill Security Enhancement project which will deliver a significant upgrade in international baggage systems, including additional capacity;
- stage 1 of the Elevated Road and Forecourt development completion, with the opening of a one-way elevated road connecting the Tullamarine Freeway, which links Melbourne CBD to the Airport, directly through to the T4 Transport Hub, reducing congestion during peak periods. Stage 2 of program is expected to commence construction in the second half of FY24 and delivers further capacity and safety enhancements to the road network within the Airport precinct; and
- the airfield maintenance program continued with the one in ten-year replacement of pavement on runway 16/34 completed.

Retail completed the transition to Lotte Duty Free with a ten-year partnership in place with Lotte Duty Free will continuing to expand its offering. Together with Lotte, planning is underway to renovate and refurbish the duty-free space, commencing with the arrivals duty free experience followed by the departures offering, inspired by Melbourne's laneways and architectural style.

Retail also delivered the redevelopment and refresh of stores across all terminals with 15 new retail stores opened including the reimagined dining precinct in Terminal 1, The Square, which opened in December 2023, providing an elevated dining experience, showcasing the best of Melbourne's food scene for Qantas domestic travellers.

Property continued its focus on investment at Melbourne Airport to further diversify revenue streams. Notable achievements in the half year included:

- the completion of Martin Brower's 9,200m² cold store facility. Martin Brower provides logistics and supply chain solutions to a large number of restaurants across Australia;
- construction of Melbourne Airport's 464 room dual branded hotel in the Hive precinct is progressing and is expected to open in mid-2024.

Launceston Airport welcomed Bonza with services commencing between Launceston and the Gold Coast, being the first new airline to serve Tasmania in more than a decade.

Launceston Airport's capital works program saw the completion of the new check-in hall and security screening facilities under its terminal enhancement project and the opening of the new Virgin Cargo facility.

Melbourne Airport Rail

The Australian Government's Infrastructure Investment Pipeline review was finalised in November 2023. The objective of the review was to assess the prioritisation, buildability, and value for money of a wide range of projects nationally. The review was driven by the deteriorating budget positions of the Federal and state governments as a result of the COVID-19 pandemic. The Review, which included Melbourne Airport Rail, recommended the project proceed. The Department of Infrastructure, Transport, Regional Development, Communications and the Arts is expected to appoint a mediator and finalise a terms of reference for a mediation process by the end of the first quarter of 2024 to agree on station location and design with the Victorian Government and Melbourne Airport.

Melbourne Airport continues to advocate for a future rail option, working collaboratively with both state and federal governments to ensure the best transportation solutions for its passengers and the broader community.

Third Runway

In January 2022, Melbourne Airport confirmed plans to proceed with planning approvals for a new north-south runway, to ensure the airfield has adequate capacity to cope with forecast traffic growth.

The new 3000-metre-long runway will be located parallel to and 1.3 kilometres to the west of the existing north-south runway. The additional capacity provided by the runway is expected to enable Melbourne Airport to grow its capacity from 37.1 million passengers in the year ended 30 June 2019, to over 77 million passengers.

Melbourne Airport has submitted the draft runway Major Development Plan to the Minister for approval. If approved, construction of the new runway would depend on when the additional capacity is required and is expected to take between four and five years.

Financial results:

The Group delivered a full recovery of financial performance, with operating profit of \$434.1 million for the half year ended 31 December 2023. This compares to \$405.6 million for the six months to December 2019 and \$328.6 million for the six months to December 2022.

Operating Profit (m)	Dec-23	Dec-22	Dec-19 (pre-COVID)
Operating Profit	434.1	328.6	405.6

Revenue increased by \$113.7 million to \$615.2 million for the period compared to December 2022.

Revenue (m)	Dec-23	Dec-22	Dec-19 (pre-COVID)
Aeronautical	268.3	209.0	237.1
Retail	89.6	57.8	96.8
Ground Transport	125.3	113.4	112.9
Property	64.8	60.2	52.2
Outgoings/ recharges	17.3	22.2	17.1

Australia Pacific Airports Corporation Limited
Directors' report
31 December 2023

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

Operating Costs increased by \$3.3m excluding security passthrough, software as a service and the expected credit loss adjustments. The increase is a result of required service provision volume for cleaning and operations cost aligned to the recovery of passenger volumes and supplier price increase year on year.

Borrowing costs increased by \$25.1 million for the first half of FY24 as a result of increasing interest rates and additional debt offset by \$12.3m interest income from cash on deposit.

The Group returned a profit after tax of \$127.7 million for the period compared to \$61.9 million in December 2022. Carry forward tax losses from prior periods have been fully utilised in the period with the Group being in a tax payable position of \$16.6 million at 31 December 2023.

APAC's balance sheet remains strong with \$1,245.6 million of liquidity at balance date including undrawn bank facilities of \$1,177.9 million and cash of \$67.7 million. Market readiness activities are underway to access capital markets to fund the FY24 and FY25 capex program. The Group continues to be compliant with financial covenants for the period ended 31 December 2023.

Operating cash inflows for the first half of FY24 were \$314 million on the back of strong passenger numbers and business unit performance. Cash Inflows for the period compare favourably to the 6 months to 31 December 2022 \$225 million and December 2019 \$239 million.

Investing cash outflows \$387.1 million (31 December 2023) reflect the groups ongoing capital works with the increase in comparison to December 2022 attributable to the uplift in construction activity.

Net financing cash outflows \$849 million include debt repayments of \$976 million partially offset by \$274 million drawdown of debt. Debt repayments in the period were made from funds raised under the Euro bonds (EMTN) program in FY23.

Significant changes in the state of affairs

Other than those impacts noted, there were no significant changes in the state of affairs of the Group during the period.

Events occurring after balance sheet date

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Future developments

The Group's future developments and operations are included within the Master Plans of Melbourne Airport (2022) and Launceston Airport (2020). The documents, published every five years, include setting the strategic direction for each airport, providing plans for development, documenting to the public the intended uses of the sites and development proposals and ensuring compliance with environmental legislation and standards.

Rounding

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

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

On behalf of the directors


Mr P. Hay
Chairman

28 February 2024
Melbourne

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australia Pacific Airports Corporation Limited ("the Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not presents fairly, in all material respects, the financial position of the Group as at 31 December 2023 and its financial performance and its cash flows for the half-year ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report does not present fairly, in all material respects, the financial position of the Group as at 31 December 2023 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'J Thorne', written over a faint, illegible background.

Jason Thorne

Partner

Chartered Accountants

Melbourne, 28 February 2024

Australia Pacific Airports Corporation Limited
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached financial statements and notes comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting', and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors

On behalf of the directors



Mr P. Hay
Chairman

28 February 2024
Melbourne

Australia Pacific Airports Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Revenue			
Aeronautical		268,286	209,038
Security	3	47,997	35,704
Retail		89,557	57,781
Ground Transport		125,287	113,407
Property		64,807	60,232
Outgoings/ recharges		17,288	22,169
Other income		1,965	3,131
Profit on sale of fixed assets		39	23
Total revenue		615,226	501,485
Expenses			
Staff costs		(37,973)	(37,565)
Security	3	(46,936)	(34,754)
Service and utilities		(62,032)	(52,996)
Maintenance costs		(15,822)	(13,891)
Administration and marketing costs		(9,506)	(8,772)
Other costs		(5,502)	(14,236)
Software as a Service expense		(3,383)	(11,294)
Allowances for expected credit losses reversal/ (expense)		-	667
Total expenses		(181,154)	(172,841)
Operating profit		434,072	328,644
Depreciation, amortisation and impairment	2	(116,427)	(119,423)
Borrowing costs	2	(147,546)	(122,437)
Interest income		12,300	2,498
Profit before income tax expense		182,399	89,282
Income tax expense	4	(54,689)	(27,419)
Profit after income tax expense for the period		127,710	61,863
Other Comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax	14	5,728	(10,027)
Other Comprehensive income/(loss) for the period, net of tax		5,728	(10,027)
Total Comprehensive income for the period		133,438	51,836

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

Australia Pacific Airports Corporation Limited
Consolidated statement of financial position
As at 31 December 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		67,725	989,623
Trade and other receivables	5	90,011	139,757
Derivative financial instruments	13	51,025	223,146
Income tax receivable		-	21
Accrued revenue	6	90,764	41,360
Other assets	7	46,856	48,994
Total current assets		<u>346,381</u>	<u>1,442,901</u>
Non-current assets			
Property, plant and equipment	8	3,844,620	3,610,925
Investment properties	9	2,343,005	2,299,918
Intangible assets	10	674,546	675,017
Derivative financial instruments	13	138,224	210,940
Accrued revenue	6	161,578	162,893
Other assets	7	2,575	2,048
Total non-current assets		<u>7,164,548</u>	<u>6,961,741</u>
Total assets		<u>7,510,929</u>	<u>8,404,642</u>
Liabilities			
Current liabilities			
Payables	11	164,561	166,319
Borrowings	12	565,589	1,197,293
Income tax payable		16,565	-
Employee benefit provisions		19,138	23,457
Derivative financial instruments	13	-	264
Lease liabilities		1,287	1,287
Unearned income		8,869	11,238
Total current liabilities		<u>776,009</u>	<u>1,399,858</u>
Non-current liabilities			
Payables	11	2,452	2,452
Borrowings	12	4,665,597	4,962,225
Deferred tax liability	4	717,450	676,891
Employee benefit provisions		1,971	1,903
Derivative financial instruments	13	49,551	53,828
Lease liabilities		2,141	2,447
Unearned income		21,029	22,442
Total non-current liabilities		<u>5,460,191</u>	<u>5,722,188</u>
Total liabilities		<u>6,236,200</u>	<u>7,122,046</u>
Net assets		<u>1,274,729</u>	<u>1,282,596</u>
Equity			
Issued capital		118,100	118,100
Hedging reserves	14	(17,570)	(23,298)
Retained profits		1,174,199	1,187,794
Total equity		<u>1,274,729</u>	<u>1,282,596</u>

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

Australia Pacific Airports Corporation Limited
Consolidated statement of changes in equity
For the period ended 31 December 2023

	Issued capital \$'000	Hedging reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	118,100	(35,771)	1,040,984	1,123,313
Profit after income tax expense for the period	-	-	61,863	61,863
Other Comprehensive loss for the period, net of tax	-	(10,027)	-	(10,027)
Total Comprehensive income/(loss) for the period	-	(10,027)	61,863	51,836
Balance at 31 December 2022	118,100	(45,798)	1,102,847	1,175,149
	Issued capital \$'000	Hedging reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2023	118,100	(23,298)	1,187,794	1,282,596
Profit after income tax expense for the period	-	-	127,710	127,710
Other Comprehensive income for the period, net of tax	-	5,728	-	5,728
Total Comprehensive income for the period	-	5,728	127,710	133,438
<i>Transactions with owners in their capacity as owners:</i>				
Dividend paid	-	-	(141,305)	(141,305)
Balance at 31 December 2023	118,100	(17,570)	1,174,199	1,274,729

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

Australia Pacific Airports Corporation Limited
Consolidated statement of cash flows
For the period ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities			
Receipts from customers		665,629	515,121
Payments to suppliers and employees		(236,344)	(193,805)
Payments for software as a service		(2,737)	(12,507)
Interest received		19,048	2,498
Interest paid		(131,594)	(86,426)
Income tax received		-	106
Net cash from operating activities	17	314,002	224,987
Cash flows from investing activities			
Payments for investment properties	9	(43,087)	(26,696)
Payments for property, plant and equipment		(344,029)	(150,291)
Payments for intangible assets		(56)	-
Proceeds from disposal of property, plant and equipment		39	26
Net cash used in investing activities		(387,133)	(176,961)
Cash flows from financing activities			
Proceeds from borrowings		274,000	690,000
Repayment of borrowings		(976,000)	(616,000)
Dividends paid		(141,305)	-
Repayment of lease liabilities		(306)	(340)
Payment for debt issue costs		(5,156)	(10,010)
Net cash from/(used in) financing activities		(848,767)	63,650
Net increase/(decrease) in cash and cash equivalents		(921,898)	111,676
Cash and cash equivalents at the beginning of the financial period		989,623	53,445
Cash and cash equivalents at the end of the financial period		67,725	165,121

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

1. Material accounting policy information

The half-year financial report has been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting*.

The half year financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report of Australian Pacific Airports Corporation Limited for the year ended 30 June 2023.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost except for certain non-current assets and financial instruments that are measured at fair value. Historical cost is based on fair value of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2023 annual financial report for the financial year ended 30 June 2023.

Rounding

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

Net Current Liability Position

The Group was in a net current liability position of \$429.6 million at 31 December 2023 (30 June 2023: net current assets of \$43 million), principally due to current borrowings of \$565.6 million which mature on 15 October 2024.

The net current liability position as at 31 December 2023 is adequately covered by available liquidity as at 31 December 2023 in the form of cash and cash equivalent of \$67.7 million and undrawn bank facilities of \$1,177.9 million (30 June 2023: \$1,792.3 million).

The Directors continually monitor the Group's working capital position and capital commitments with reference to the Group's existing debt facilities and available liquidity and are satisfied that the Group will be able to pay its debts as and when they fall due.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

No Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have been early adopted by the Group for the six months ended 31 December 2023.

Standards in issue not yet effective

AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements - It amends AASB107 Statement of Cash Flows and AASB 7 Financial Instruments: Disclosures to require an entity to provide additional disclosures about its supplier finance arrangements to enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk.

AASB 2022-6 further defers the effective date of AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current from 1 January 2023 to 1 January 2024.

AASB 2023-3 makes amendments to AASB 1060 similar to the ones described above under AASB 2022-6.

AASB 2022-5 Amendments to Australian Accounting standards – Lease Liability in a Sale and Leaseback.

The effective date for the above standards is 1 January 2024 for adoption for the Group from 1 July 2024. These standards are under review but are not expected to have a material impact on the Group.

2. Profit for the period

	31 December 2023 \$'000	31 December 2022 \$'000
Profit for the period includes the following specific items		
Depreciation of property, plant and equipment	115,939	116,270
Amortisation of intangible assets	488	3,148
Impairment of assets under construction	-	5
Total Depreciation, amortisation and impairment	116,427	119,423
Interest:		
- Secured debt	139,119	102,351
- Interest capitalised during the period	(18,286)	(5,928)
- Amortisation of deferred borrowing costs	7,299	4,233
Hedge reserve unwind	18,578	21,355
Interest - lease liabilities	338	304
Other finance costs	498	122
Total borrowing costs	147,546	122,437

3. Security

	31 December 2023 \$'000	31 December 2022 \$'000
Security revenue	47,997	35,704
Security cost	(46,936)	(34,754)
Security depreciation and other costs	(1,061)	(950)
	-	-

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

4. Income tax

(a) Income tax recognised in profit

	31 December 2023 \$'000	31 December 2022 \$'000
<i>Income tax expense comprises of:</i>		
Current tax	16,563	-
Deferred tax	38,105	27,419
Current tax in respect of prior years	21	-
Deferred tax in respect of prior years	-	-
Aggregate income tax expense	<u>54,689</u>	<u>27,419</u>
<i>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 before income tax expense	<u>182,399</u>	<u>89,282</u>
Tax at the statutory tax rate of 30%	54,720	26,785
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	<u>(52)</u>	<u>634</u>
	<u>54,668</u>	<u>27,419</u>
Current tax in respect of prior years	<u>21</u>	<u>-</u>
Income tax expense	<u>54,689</u>	<u>27,419</u>

(b) Deferred tax balances

	Opening balance 1 July 2023 \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance 31 Dec 2023 \$'000
Gross deferred tax liabilities:				
Property, plant & equipment incl software	(161,696)	1,885	-	(159,810)
Investment property	(527,979)	-	-	(527,979)
Accrued revenue	(50,925)	(120)	-	(51,046)
Other assets	(1,340)	5	-	(1,335)
	<u>(741,940)</u>	<u>1,770</u>	<u>-</u>	<u>(740,170)</u>
Gross deferred tax assets:				
Provisions & accruals	8,172	(1,302)	-	6,870
Unearned income	9,542	75	-	9,617
Hedge reserve	7,143	1,509	(2,455)	6,197
Other	36	-	-	36
Tax losses	<u>40,156</u>	<u>(40,156)</u>	<u>-</u>	<u>-</u>
	<u>65,049</u>	<u>(39,874)</u>	<u>(2,455)</u>	<u>22,720</u>
Net deferred tax liability	<u>(676,891)</u>	<u>(38,105)</u>	<u>(2,455)</u>	<u>(717,450)</u>

5. Trade and other receivables

	31 December 2023 \$'000	30 June 2023 \$'000
<i>Current assets</i>		
Trade and other receivables	91,477	141,223
Less: Allowance for expected credit losses	(1,466)	(1,466)
	<u>90,011</u>	<u>139,757</u>

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

Included in the Group's trade receivable balance are debtors with a carrying amount of \$24,167 (30 June 2023: \$95,779) net of allowance for expected credit losses, which were overdue (90 days +) as at the reporting date.

6. Accrued revenue

	31 December 2023 \$'000	30 June 2023 \$'000
<i>Current assets</i>		
Straight line leases	11,412	10,731
Other accrued revenue	77,352	28,629
Accrued rebates	2,000	2,000
Total current	<u>90,764</u>	<u>41,360</u>
<i>Non-current assets</i>		
Straight line leases	159,855	160,170
Accrued rebates	1,723	2,723
Total non-current	<u>161,578</u>	<u>162,893</u>

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

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

7. Other assets

	31 December 2023 \$'000	30 June 2023 \$'000
<i>Current assets</i>		
Prepayments	46,315	48,079
Bond	472	846
Other current assets	69	69
Total current	<u>46,856</u>	<u>48,994</u>
<i>Non-current assets</i>		
Other non-current asset	<u>2,575</u>	<u>2,048</u>

8. Property, plant and equipment

	Leasehold land \$'000	Buildings and services \$'000	Roads, runways & infrastructure \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July 2023	238,843	2,302,219	1,437,069	1,390,112	680,081	6,048,324
Additions	-	-	-	-	349,634	349,634
Disposal	-	-	-	(536)	-	(536)
Impairment	-	-	-	-	-	-
Transfers to/(from) assets under construction	-	16,250	78,250	17,363	(111,863)	-
Balance at 31 December 2023	238,843	2,318,469	1,515,319	1,406,939	917,852	6,397,422
Accumulated depreciation						
Balance at 1 July 2023	(25,657)	(906,194)	(515,226)	(990,322)	-	(2,437,399)
Depreciation expense	(1,157)	(50,428)	(23,662)	(40,692)	-	(115,939)
Disposal	-	-	-	536	-	536
Balance at 31 December 2023	(26,814)	(956,622)	(538,888)	(1,030,478)	-	(2,552,802)
Net book value at 31 December 2023	212,029	1,361,847	976,431	376,461	917,852	3,844,620

	Leasehold land \$'000	Buildings and services \$'000	Roads, runways & infrastructure \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July 2022	244,800	2,501,893	1,544,188	915,444	438,491	5,644,816
Additions	-	-	-	-	403,858	403,858
Disposals	-	-	-	(345)	-	(345)
Impairment	-	-	-	-	(5)	(5)
Transfer due to change in asset groups	(5,963)	(242,817)	(160,782)	409,562	-	-
Transfers to/(from) assets under construction	6	43,143	53,663	65,451	(162,263)	-
Balance at 30 June 2023	238,843	2,302,219	1,437,069	1,390,112	680,081	6,048,324
Accumulated depreciation						
Balance at 1 July 2022	(24,891)	(976,607)	(521,427)	(677,581)	-	(2,200,506)
Depreciation expense	(2,317)	(101,539)	(46,440)	(86,933)	-	(237,229)
Transfer due to change in asset groups	1,551	171,952	52,641	(226,144)	-	-
Disposals	-	-	-	336	-	336
Balance at 30 June 2023	(25,657)	(906,194)	(515,226)	(990,322)	-	(2,437,399)
Net book value at 30 June 2023	213,186	1,396,025	921,843	399,790	680,081	3,610,925

9. Investment properties

	31 December 2023 \$'000	30 June 2023 \$'000
Balance at beginning of the period	2,299,918	2,199,574
Additions for the period	43,087	102,051
Net gain from fair value adjustments for the year	-	(1,707)
Balance at end of the period	2,343,005	2,299,918

9. Investment properties (continued)

Management engaged Jones Lang LaSalle to complete an interim valuation of the Group's investment properties as at 31 December 2023 in response to the continuing increase in cash rates during the period. Market capitalisation rates have softened offset by an increase in market yields and fixed escalations. Overall, the valuation at 31 December 2023 remains consistent with 30 June 2023 at \$2.3 billion excluding capital WIP.

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

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

- Capitalisation rates ranging from 5.00% to 6.50% (FY23: 4.50% to 7.05%)
- Discount rates ranging from 6.75% to 7.50% (FY23: 6.5% to 8%);
- A terminal yields ranging from 5.40% to 5.65% (FY23: 4.94% to 7.55%); and
- Market rental growth rates ranging from 2.55% to 3.57% (FY23: 2.50% to 3.40%).

10. Intangible assets

	Goodwill \$'000	Masterplan \$'000	Software \$'000	Total \$'000
Net book value				
Balance at 1 July 2023	671,866	2,228	923	675,017
Additions	-	-	17	17
Amortisation charge	-	(250)	(238)	(488)
Net book value at 31 December 2023	<u>671,866</u>	<u>1,978</u>	<u>702</u>	<u>674,546</u>
Cost				
Cost	671,866	2,504	33,344	707,714
Accumulated amortisation and impairment	-	(526)	(32,642)	(33,168)
Net book value at 31 December 2023	<u>671,866</u>	<u>1,978</u>	<u>702</u>	<u>674,546</u>
	Goodwill \$'000	Masterplan \$'000	Software \$'000	Total \$'000
Net book value				
Balance at 1 July 2022	671,866	1,539	3,596	677,001
Additions	-	2,073	525	2,598
Disposals	-	-	(4)	(4)
Amortisation charge	-	(1,384)	(3,194)	(4,578)
Net book value at 30 June 2023	<u>671,866</u>	<u>2,228</u>	<u>923</u>	<u>675,017</u>
Cost				
Cost	671,866	2,504	33,327	707,697
Accumulated amortisation and impairment	-	(276)	(32,404)	(32,680)
Net book value at 30 June 2023	<u>671,866</u>	<u>2,228</u>	<u>923</u>	<u>675,017</u>

11. Payables

	31 December 2023 \$'000	30 June 2023 \$'000
Current		
Trade and other payables (i)	79,419	70,888
Accrual for assets under construction	57,110	56,271
GST payable	1,055	2,258
	<u>137,584</u>	<u>129,417</u>
Interest payable to:		
- Secured debt - bank (ii)	<u>26,977</u>	<u>36,902</u>
Total	<u><u>164,561</u></u>	<u><u>166,319</u></u>
Non-current		
Undistributed capital note liability (iii)	1,202	1,202
Other non-current liabilities	<u>1,250</u>	<u>1,250</u>
Total	<u><u>2,452</u></u>	<u><u>2,452</u></u>

(i) The average credit period for purchases and services is 30 days. No interest is charged on trade payables.

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

(iii) Capital notes are entitled to 1/9th of net profit of Australia Pacific Airports (Launceston) Pty. Limited with distribution equal to 1/9th of declared dividends. Capital notes are redeemable at the end of the Launceston Airport lease.

12. Borrowings

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

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

	Drawn (\$'000) Dec 2023	Undrawn (\$'000) Dec 2023	Drawn (\$'000) Jun 2023	Undrawn (\$'000) Jun 2023
Drawn and undrawn				
Unsecured bank overdraft	-	21,696	-	22,066
Secured term bank debt	1,300,000	-	1,300,000	-
Secured bank facilities	<u>308,800</u>	<u>1,156,200</u>	<u>34,800</u>	<u>1,770,200</u>
Total bank debt	<u>1,608,800</u>	<u>1,177,896</u>	<u>1,334,800</u>	<u>1,792,266</u>
Secured capital markets debt	<u>3,525,609</u>	<u>-</u>	<u>4,501,606</u>	<u>-</u>
Total borrowings (face value)	<u><u>5,134,409</u></u>	<u><u>1,177,896</u></u>	<u><u>5,836,406</u></u>	<u><u>1,792,266</u></u>

12. Borrowings (continued)

	Maturity	Currency	Principal Drawn		Carrying Amount (ii)	
			Original	Face Value	Dec 2023	Jun 2023
			Currency	(AUD) (i)		
			\$'000	\$'000	\$'000	\$'000
Capital Markets Debt						
USPP	15-Sep-23	USD	200,000	-	-	301,659
EMTN (iii)	26-Sep-23	EUR	550,000	-	-	901,787
EMTN	15-Oct-24	EUR	350,000	505,051	566,251	573,865
AMTN	11-Nov-25	AUD	120,000	120,000	120,000	120,000
USPP	15-Sep-26	USD	200,000	191,077	292,397	301,659
AMTN	4-Nov-26	AUD	200,000	200,000	200,000	200,000
USPP	15 Jan-28	AUD	50,000	50,000	50,000	50,000
EMTN	27-Sep-30	NOK	1,500,000	242,994	216,506	209,418
AMTN	25-Nov-31	AUD	700,000	700,000	700,000	700,000
USPP (iii)	4-Dec-31	USD	105,000	151,844	153,509	158,371
EMTN (iii)	24-May-33	EUR	500,000	812,799	808,931	819,807
USPP	4-Dec-34	USD	105,000	151,844	153,509	158,371
USPP	4-Dec-39	AUD	150,000	150,000	150,000	150,000
USPP	4-Dec-44	AUD	250,000	250,000	250,000	250,000
Total capital markets				3,525,609	3,661,103	4,894,937
Cash Advance Facility (vi)	30-Jul-25	AUD		38,800	38,800	34,800
Bilateral Facility (iv)	08-Apr-26	AUD		200,000	200,000	-
Term Bank Debt	16-Jun-26	AUD		200,000	200,000	200,000
Syndicated Facility (v)	23-Aug-26	AUD		70,000	70,000	-
Term Bank Debt	13-Sep-27	AUD		292,000	292,000	292,000
Term Bank Debt	16-Jun-29	AUD		300,000	300,000	300,000
Term Bank Debt	13-Sep-29	AUD		508,000	508,000	508,000
Total Bank debt				1,608,800	1,608,800	1,334,800
Fair value adjustments				-	(286)	(33,052)
Deferred upfront borrowing costs				-	(38,431)	(37,167)
Total net borrowings				5,134,409	5,231,186	6,159,518

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

(ii) Carrying amounts of foreign debt reflect revalued debt in AUD at spot rates as at 31 December 2023 and 30 June 2023, as applicable.

(iii) Excludes fair value adjustments.

(iv) During August 2023, Australia Pacific Airports (Melbourne) Pty Ltd cancelled \$600m of bilateral facilities maturing by the end of 2025. The remaining bilateral facility has a limit of \$200m and was fully drawn at 31 December 2023.

(v) During August 2023, Australia Pacific Airports (Melbourne) Pty Ltd refinanced the existing \$940 million syndicated bank facility, replacing the existing facility with \$1.2 billion of syndicated bank facilities. The new syndicated facility is split across two \$600 million tranches maturing in August 2026 and August 2028.

(vi) Cash Advance Facility refers to the bank facility for Australia Pacific Airports (Launceston) Pty Ltd.

13. Derivative financial instruments

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

	Current Dec 2023 \$'000	Non-current Dec 2023 \$'000	Total Dec 2023 \$'000	Current June 2023 \$'000	Non-Current June 2023 \$'000	Total June 2023 \$'000
Assets						
Cross currency swaps	51,025	119,886	170,911	221,170	174,707	395,877
Interest rate swaps	-	18,338	18,338	1,976	30,246	32,222
Swaption	-	-	-	-	5,987	5,987
	<u>51,025</u>	<u>138,224</u>	<u>189,249</u>	<u>223,146</u>	<u>210,940</u>	<u>434,086</u>
Liabilities						
Cross currency swaps	-	(49,551)	(49,551)	-	(53,117)	(53,117)
Interest rate swaps	-	-	-	(264)	-	(264)
Swaption	-	-	-	-	(711)	(711)
	<u>-</u>	<u>(49,551)</u>	<u>(49,551)</u>	<u>(264)</u>	<u>(53,828)</u>	<u>(54,092)</u>
Net derivative position assets/ (liabilities)	<u>51,025</u>	<u>88,673</u>	<u>139,698</u>	<u>222,882</u>	<u>157,112</u>	<u>379,994</u>

14. Hedging reserves

	31 December 2023 \$'000	30 June 2023 \$'000
Opening balance	23,298	35,771
(Gain) / loss recognised on derivative financial instruments (unrealised)	272,315	(119,604)
(Gain) / loss recognised on derivative financial instruments (realised)	22,310	(21,792)
(Gain) / loss on foreign exchange remeasurement transferred to profit and loss	(257,837)	140,217
(Gain) / loss on hedge ineffectiveness transferred to profit and loss	(2,382)	8,028
(Gain) / loss on unwind of discontinued hedge relationships transferred to profit and loss	(20,279)	(46,459)
(Gain) / loss on cash flow hedges transferred to profit and loss	(22,310)	21,792
Income tax related to amounts above	<u>2,455</u>	<u>5,345</u>
Closing balance	<u>17,570</u>	<u>23,298</u>

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

15. Capital expenditure commitments

	31 December 2023 \$'000	30 June 2023 \$'000
Capital expenditure commitments		
Not longer than 1 year	603,281	437,866
Longer than 1 year but not longer than 5 years	<u>472,711</u>	<u>365,853</u>
Total capital expenditure commitments	<u>1,075,992</u>	<u>803,719</u>

16. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

17. Notes to the Statement of Cash Flows

Reconciliation of profit/ (loss) after related income tax to net cash flows from operating activities

	31 December 2023 \$'000	31 December 2022 \$'000
Profit after income tax expense for the period	127,710	61,863
Adjustments for:		
Net gain on disposal of non-current assets	(39)	(23)
Amortisation of deferred borrowing costs	7,299	4,233
Hedge reserve unwind	18,578	21,355
Depreciation and amortisation of non-current assets	116,427	119,418
Impairment of assets under construction	-	5
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	48,542	16,028
(Increase)/decrease in other current assets	(3,440)	(1,540)
(Increase)/decrease in other non-current assets	472	1,301
Increase/(decrease) in trade payables	10,800	20,439
Increase/(decrease) in interest payables	(9,925)	10,423
Increase in deferred tax liabilities	54,698	27,419
Increase/(decrease) in tax payable	-	106
Increase/(decrease) in employee provisions	(4,251)	(2,858)
Increase/(decrease) in unearned revenue	(3,780)	(10,991)
Increase/(decrease) in accrued revenue	(49,089)	(42,191)
Net cash from operating activities	<u>314,002</u>	<u>224,987</u>