

Australia Pacific Airports Corporation Limited

ACN 069 775 266

Consolidated Financial Statements - 30 June 2024

Australia Pacific Airports Corporation Limited
Directors' report
30 June 2024

The Directors of Australia Pacific Airports Corporation Limited (the Company) and its controlled entities (the Group or APAC) present their report for the financial year ended 30 June 2024.

Principal activities

During the financial year, the principal activity of the Group was the ownership and management of Melbourne Airport (APAM) and Launceston Airport (APAL).

Review of operations

FY2024 has delivered a significant milestone for the Group, with 36.6 million passengers passing through Melbourne and Launceston airports, a 13.9% increase on the year ended 30 June 2023, and the full restoration of international capacity to Melbourne and Victoria.

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

The Group welcomed 25.5 million domestic passengers in the year ended 30 June 2024, a 7.2% increase on the prior year, with leisure routes continuing to perform strongly.

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

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

Financial results:

The Group delivered a full recovery of financial performance, with operating profit of \$841.2 million for the year ended 30 June 2024 (30 June 2019: \$770.5 million, 30 June 2023: \$693.8 million).

Operating Profit (\$m)	Jun-24	Jun-23	Jun-19 (pre-COVID)
Operating Profit	841.2	693.8	770.5

Revenue (\$m)	Jun-24	Jun-23	Jun-19 (pre-COVID)
Aeronautical	528.5	432.7	427.8
Retail	175.2	128.9	185.2
Ground Transport	243.7	228.8	214.1
Property	134.7	122.5	116.8
Outgoings/ recharges	38.0	48.9	39.4

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

Operating costs, excluding security passthrough costs, increased by \$12.5 million. The uplift is a result of increased cleaning and operational costs aligned to the recovery of passenger volumes, maintenance to support the Melbourne Airport Business Park and an increase in the expected credit loss provision.

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Borrowing costs increased by \$33.5 million in FY24 as a result of increasing interest rates and additional debt, offset by an increase in interest income of \$12.8 million from cash on deposit.

The Group returned a profit after tax of \$311.9 million for the year (30 June 2023: \$146.8 million). Carry forward tax losses from prior periods have been fully utilised in the year with the Group being in a tax payable position of \$46.3 million as at 30 June 2024.

APAC's balance sheet remains strong with \$2,014.2 million of liquidity at balance date including undrawn bank facilities of \$1,426.2 million and cash of \$588.0 million. Market readiness activities are underway to access capital markets to fund the FY25 capital program. The Group continues to be compliant with financial covenants for the year ended 30 June 2024.

Operating cash inflows for FY24 were \$617.5 million on the back of strong passenger numbers and revenue performance (30 June 2023: \$479.8 million and 30 June 2019: \$462.6 million).

Investing cash outflows of \$801.6 million for the period reflect the groups ongoing capital works, with the increase in comparison to the prior year (30 June 2023: \$509.7 million) attributable to the uplift in construction activity.

Net financing cash outflows of \$217.5 million include debt repayments of \$976.0 million and dividend payments of \$312.8 million, partially offset by \$1,085.1 million drawdown of debt. Debt repayments in the period were made from funds raised under the EMTN program in FY23.

Significant changes in the state of affairs

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

Dividends

The Directors are proposing a final dividend for the year ended 30 June 2024 of \$54,585,000 (\$0.462 per share) to be paid in September 2024 (2023: \$141,305,000). In March 2024, an interim dividend of \$171,451,000 (\$1.452 per share) was declared and paid for the year ended 30 June 2024.

Events occurring after balance sheet date

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

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

No other matters or circumstances have arisen since 30 June 2024 that have 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.

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Directors

Name	Position	Period of directorship
Peter Hay	Chair	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, Resigned 12 August 2024
Samantha Lewis	Director	Appointed 24 October 2022
Michael Faulkner	Director	Appointed 13 November 2023
Stewart Brentnall	Director	Appointed 12 August 2024
Timothy May	Alternate Director	Appointed 31 August 2023
Daniel Fitzpatrick	Director / Alternate Director	Appointed as Alternate Director 19 May 2023, Appointed as Director 15 September 2023, Appointed as Alternate Director 13 November 2023
David Dowling	Director	Appointed 14 June 2022, Resigned 15 September 2023

Effective 1 October 2024, Peter Hay will be retiring from his position as the Chair of APAC and Christine O'Reilly will take on the role of the Chair.

Effective 12 August 2024, Talieh Williams resigned from her position as director and was replaced by Stewart Brentnall.

Peter Hay
Chair

Samantha Lewis
Director and Chair of Audit Risk & Finance Committee

Mr Hay has a strong background and breadth of experience in business, corporate law, finance and investment banking. Ms Lewis is a Non-Executive Director of CSL Limited. In addition, Ms Lewis is a Non-Executive Director and Chairman of the Audit & Risk Committee of Nine Entertainment Co. advisory work, with particular expertise in relation to mergers and acquisitions. He has also had significant involvement in Holdings Limited. Previously, Ms Lewis was an Assurance & advising governments and government-owned enterprises. Advisory partner from 2000 to 2014 with Deloitte Australia. Peter's board experience spans mining and resources, and a former non-executive director of Aurizon Holdings manufacturing, retail, property, and financial services. He is Limited and Orora Limited. Ms Lewis's expertise includes currently Chair of Mutual Trust. He is a former Director on the accounting, finance, auditing, risk management, corporate boards of Vicinity Centres, GUD Holdings, Novion, Myer, governance, capital markets and due diligence. ANZ Bank, Alumina and Newcrest Mining.

Michael Cummings
Director and Chair of Remuneration Committee

Danny Elia
Director

Mr Cummings is a Nominee Director on behalf of Dexu. In addition to APAC, Mr Cummings is on the board of Powerco Investors where he is responsible for driving IFM NZ. Mr Cummings has over 34 years of international Infrastructure's asset management strategy across the experience in the infrastructure sector - having been a Australian and Global Infrastructure funds. Previous roles director on the board of infrastructure companies in Australia, include CEO of South Australian Health Partnerships, NZ, the UK and the US. He has also held senior executive Director of Public Private Partnerships for Leighton positions in a number of major energy infrastructure Contractors, General Manager of Transurban Victoria and companies. Mr Cummings is a Fellow of the Australian Finance Director of Linfox Logistics Asia Pacific. Mr Elia is Institute of Company Directors, and a Chartered Member of currently a Director on the board of Committee for Melbourne Engineering New Zealand. and a Non-Executive director of Atlas Arteria Limited.

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James Fraser-Smith
Director

Mr Fraser-Smith is a senior infrastructure investment professional with over 20 years of experience. As the Head of Unlisted Infrastructure and Timberland at Future Fund, he manages a global portfolio in excess of \$10b and leads the team responsible for infrastructure strategy, transactions and asset management. James represents Future Fund as a Director on the Boards of Melbourne Airport and Amplitel. James holds Civil Engineering and Commerce degrees from the University of Melbourne and has completed a Master of Applied Finance. He is also a graduate member of the Australian Institute of Company Directors.

Raphael Arndt
Director

Dr Arndt was appointed as the Chief Executive Officer of the Future Fund in 2020. Raphael served as the Chief Investment Officer of the Future Fund from 2014 to 2020. He leads a multi-disciplinary organisation, managing A\$245 billion on behalf of the Commonwealth of Australia. Raphael was previously the Fund's Head of Infrastructure and Timberland where he was responsible for establishing both the Infrastructure and Timberland investment programs. Raphael is also Chairman of the Investment Committee and a Board Member of the Melbourne Lord Mayor's Charitable Foundation, Australia's largest community foundation. Raphael started his career as an Engineer working with Ove Arup & Partners in Melbourne and London. He holds Engineering and Commerce degrees and a PhD from the University of Melbourne which focused on risk allocation in Public Private Partnerships.

Talieh Williams
Director (resigned 12 August 2024)

Ms Williams is a senior sustainable investment and ESG executive, having led the investment stewardship teams at both the Victorian Funds Management Corporation and UniSuper. Ms Williams has also worked in sustainability energy and consulting, the oil industry and commercial legal practice. Ms Williams is a Trustee Director at the Shrine of Remembrance, large-scale infrastructure investments. He was previously a sits on the Climate Bonds Standards Board and has senior member of the investment team at HRL Morrison & Co previously been a director of the Australian Council of Super with prior roles at KPMG, Macquarie Capital and Wood Investors, the Responsible Investment Association of Mackenzie. He holds a Bachelor of Commerce Degree from Australasia and the Investor Group on Climate Change. Ms Williams holds a Master of Social Science (International Development), a Bachelor of Laws (Honours) and a Bachelor of Planning and Design (Urban Design).

Michael Faulkner
Director

Mr Faulkner is Managing Director, Transport at Dexus and leads the Dexus Infrastructure Transport team. He has over 15 years' experience in infrastructure, across transport, origination, execution and asset management lifecycle of infrastructure investments. He was previously a senior member of the investment team at HRL Morrison & Co with prior roles at KPMG, Macquarie Capital and Wood Investors, the Responsible Investment Association of Mackenzie. He holds a Bachelor of Commerce Degree from the University of Sydney, is a Chartered Accountant, a Charterholder of the CFA Institute and a graduate of the Australian Institute of Company Directors. He is a current Non-Executive Director of Port Hedland International Airport and a former Non-Executive Director of ElectraNet, Sydney Desalination Plant, Perth Energy and Macarthur Wind Farm.

Stewart Brentnall
Director

Joining NSW Treasury Corporation (TCorp) in 2017 as the Chief Investment Officer, Stewart leads TCorp's investment management business, responsible for advice and management of \$110bn of funds across the NSW Government, including pension assets, insurance reserves and a central fund to invest in long term debt retirement assets and to recycle infrastructure sales proceeds. With over 30 years' investment management industry experience in Australia and the UK, Stewart has held senior roles at ANZ's Australasian Wealth business, BT Financial Group, Queensland Investment Corporation, Goldman Sachs and Schroders. Stewart holds a BSc Economics (Honours) from Bristol University, UK. He is a Chartered Accountant, a Graduate of the Australian Institute of Company Directors and a Fellow of FINSIA.

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Meetings of Directors

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

	Full Board		Remuneration Committee		Audit, Risk and Finance Committee	
	Held	Attended	Held	Attended	Held	Attended
Peter Hay	8	8	4	4	4	4
Michael Cummings	8	8	4	4	-	-
Danny Elia	8	8	4	4	-	-
James Fraser-Smith	8	8	4	4	-	-
Raphael Arndt	8	7	-	-	-	-
Talieh Williams	8	8	4	4	4	4
Samantha Lewis	8	8	-	-	4	4
Michael Faulkner	6	6	-	-	3	3
Stewart Brentnall	-	-	-	-	-	-
Timothy May	-	-	-	-	-	-
Daniel Fitzpatrick	1	1	-	-	-	-
David Dowling	1	1	-	-	1	1

Those attended by the Company Secretary were:

	Held	Attended	Held	Attended	Held	Attended
Aaron Gant	8	8	4	4	4	4

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.

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

Environmental regulation

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

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

Indemnity and insurance of officers and auditors

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

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

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

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

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

Auditor's independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Rounding of amounts

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

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

On behalf of the Directors



Mr P. Hay
Chairman

29 August 2024
Melbourne

29 August 2024

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

Dear Board Members,

Auditor's Independence Declaration

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

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

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

Australia Pacific Airports Corporation Limited

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General information

The financial statements represent Australia Pacific Airports Corporation Limited and its controlled entities as a consolidated group. The financial statements are presented in Australian dollars, which is Australia Pacific Airports Corporation Limited's functional and presentation currency.

Australia Pacific Airports Corporation Limited ACN 069 775 266 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 29 August 2024.

Australia Pacific Airports Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Revenue			
Aeronautical		528,529	432,689
Security	5	99,796	75,276
Retail		175,191	128,879
Ground transport		243,713	228,824
Property		134,690	122,476
Outgoings/recharges		37,971	48,911
Other income		7,358	5,730
Profit on sale of property, plant and equipment		57	31
Total revenue		<u>1,227,305</u>	<u>1,042,816</u>
Expenses			
Staff costs		(77,322)	(73,038)
Security	5	(97,825)	(73,297)
Services and utilities		(127,954)	(108,243)
Maintenance costs		(32,698)	(28,964)
Administration and marketing costs		(20,217)	(18,094)
Other costs		(14,038)	(32,163)
Software as a service expense		(7,990)	(15,895)
Allowance for expected credit (losses)/reversal		(8,045)	678
Total expenses		<u>(386,089)</u>	<u>(349,016)</u>
Operating Profit		841,216	693,800
Change in fair value of investment property	11	101,900	(1,707)
Borrowing costs	4	(287,082)	(253,551)
Interest income		25,100	12,323
Depreciation, amortisation and impairment losses	4	<u>(235,340)</u>	<u>(241,812)</u>
Profit before income tax expense		445,794	209,053
Income tax expense	6	<u>(133,874)</u>	<u>(62,244)</u>
Profit after income tax expense for the year		311,920	146,809
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		<u>11,409</u>	<u>12,473</u>
Other comprehensive income for the year, net of tax		<u>11,409</u>	<u>12,473</u>
Total comprehensive income for the year		<u><u>323,329</u></u>	<u><u>159,282</u></u>

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 30 June 2024

	Note	2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		587,987	989,623
Trade and other receivables	7	148,967	139,757
Derivative financial instruments	15	55,451	223,146
Income tax receivable		-	21
Accrued revenue	8	42,515	41,360
Other assets	9	40,164	48,994
Total current assets		<u>875,084</u>	<u>1,442,901</u>
Non-current assets			
Property, plant and equipment	10	4,062,885	3,610,925
Investment properties	11	2,539,644	2,299,918
Intangible assets	12	674,101	675,017
Derivative financial instruments	15	145,418	210,940
Accrued revenue	8	279,756	162,893
Other assets	9	4,650	2,048
Total non-current assets		<u>7,706,454</u>	<u>6,961,741</u>
Total assets		<u>8,581,538</u>	<u>8,404,642</u>
Liabilities			
Current liabilities			
Payables	13	324,204	166,319
Borrowings	14	564,634	1,197,293
Income tax payable		46,313	-
Employee benefit provisions		26,689	23,457
Derivative financial instruments	15	-	264
Lease liabilities	17	1,287	1,287
Unearned income		8,388	11,238
Total current liabilities		<u>971,515</u>	<u>1,399,858</u>
Non-current liabilities			
Payables	13	1,202	2,452
Borrowings	14	5,427,154	4,962,225
Deferred tax liability	6	755,380	676,891
Employee benefit provisions		1,717	1,903
Derivative financial instruments	15	109,950	53,828
Lease liabilities	17	1,835	2,447
Unearned income		19,615	22,442
Total non-current liabilities		<u>6,316,853</u>	<u>5,722,188</u>
Total liabilities		<u>7,288,368</u>	<u>7,122,046</u>
Net assets		<u>1,293,170</u>	<u>1,282,596</u>
Equity			
Issued capital	19	118,100	118,100
Hedging reserves	20	(11,889)	(23,298)
Retained profits		1,186,959	1,187,794
Total equity		<u>1,293,170</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 year ended 30 June 2024

	Issued capital \$'000	Hedging reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	118,100	(35,771)	1,040,985	1,123,314
Profit after income tax expense for the year	-	-	146,809	146,809
Other comprehensive income for the year, net of tax	-	12,473	-	12,473
Total comprehensive income for the year	-	12,473	146,809	159,282
Balance at 30 June 2023	<u>118,100</u>	<u>(23,298)</u>	<u>1,187,794</u>	<u>1,282,596</u>
Balance at 1 July 2023	118,100	(23,298)	1,187,794	1,282,596
Profit after income tax expense for the year	-	-	311,920	311,920
Other comprehensive income for the year, net of tax	-	11,409	-	11,409
Total comprehensive income for the year	-	11,409	311,920	323,329
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid	-	-	(312,755)	(312,755)
Balance at 30 June 2024	<u>118,100</u>	<u>(11,889)</u>	<u>1,186,959</u>	<u>1,293,170</u>

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 year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers		1,236,675	1,093,263
Payments to suppliers and employees		(382,111)	(419,758)
Interest received		30,670	5,573
Interest paid		(253,693)	(199,297)
Income tax paid		(13,945)	-
Net cash from operating activities	24	617,596	479,781
Cash flows from investing activities			
Payments for investment property		(137,826)	(102,051)
Payments for property, plant and equipment		(663,903)	(405,052)
Payments for intangibles		(16)	(2,595)
Proceeds from disposal of property, plant and equipment		57	31
Net cash used in investing activities		(801,688)	(509,667)
Cash flows from financing activities			
Proceeds from borrowings		1,085,075	1,612,799
Repayment of borrowings		(975,996)	(621,000)
Dividends paid		(312,755)	-
Repayment of lease liabilities		(612)	(680)
Payment for debt issue costs		(13,256)	(25,055)
Net cash from/(used in) financing activities		(217,544)	966,064
Net increase/(decrease) in cash and cash equivalents		(401,636)	936,178
Cash and cash equivalents at the beginning of the financial year		989,623	53,445
Cash and cash equivalents at the end of the financial year		<u>587,987</u>	<u>989,623</u>

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

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2024

1. Basis of preparation

Statement of compliance

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

The financial statements comprise the consolidated financial statements of Australia Pacific Airports Corporation Limited (the Company) and the entities it controls (together the Group). For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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

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

The financial statements were authorised for issue by the Directors on 29 August 2024.

Rounding of amounts

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

Net current liability position

The Group was in a net current liability position of \$96.4 million at 30 June 2024 (30 June 2023: net current asset position of \$43.0 million), principally due to \$564.6 million of current borrowings maturing in October 2024. In March 2024, the Group executed an EMTN of EUR 650 million (\$1,085.1 million) to meet the upcoming debt maturity in October 2024 and fund future capital expenditure.

The Group's balance sheet remains strong with available liquidity as at 30 June 2024 in the form of cash and cash equivalents of \$588.0 million (30 June 2023: \$989.6m) and undrawn bank facilities is \$1,426.2 million (30 June 2023: \$1,792.3 million). The Company continues to be compliant with financial covenants for the year ended 30 June 2024.

The Group retains a total of \$1.4 billion of bank debt facilities of which \$1.2 billion is a syndicated facility with two equal tranches maturing in August 2026 and August 2028 and \$200.0 million is a bilateral facility maturing in April 2026, both facilities are undrawn. These facilities, along with the \$588.0 million of cash available, are sufficient to meet forward commitments.

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. As a result, the financial statements have been prepared on a going concern basis.

2. Material accounting policy information

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

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. The adoption of these Accounting Standards and interpretations did not have a material impact on the financial performance or position of the Group.

2. Material accounting policy information (continued)

New or amended accounting standards and interpretations not yet adopted

Effective in the next financial year (FY25)

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

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

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

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

Effective in financial periods beyond FY25

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

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

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

Sustainability related standards

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

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

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

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

2. Material accounting policy information (continued)

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

Revenue from contracts with customers

Aeronautical revenue

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

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

Aeronautical revenues are billed on a monthly basis.

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

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

Security recovery revenues

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

Security recovery revenues are billed on a monthly basis.

Ground Transport revenues

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

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

Retail revenues

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

Property revenues

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

3. Critical accounting judgements, estimates and assumptions

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

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

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

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3. Critical accounting judgements, estimates and assumptions (continued)

Key sources of estimation uncertainty

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

4. Profit for the year

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

	2024 \$'000	2023 \$'000
Employee benefits expense - superannuation contributions	6,797	5,749
Depreciation, amortisation and impairment losses		
Depreciation on property plant and equipment	233,801	237,229
Amortisation on intangible assets	934	4,578
Impairment of assets under construction	605	5
	<u>235,340</u>	<u>241,812</u>
Borrowing costs:		
Interest:		
- Secured debt	285,836	229,375
- Interest capitalised during the period	(41,574)	(16,626)
- Amortisation of deferred borrowing costs	11,382	10,325
Hedge reserve unwind	29,483	29,266
Interest - lease liabilities	676	607
Other finance costs	1,279	604
Total borrowing costs	<u>287,082</u>	<u>253,551</u>

5. Security

	2024 \$'000	2023 \$'000
Security revenue	99,796	75,276
Security costs	(97,825)	(73,297)
Security depreciation and other costs	(1,971)	(1,979)
	<u>-</u>	<u>-</u>

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

6. Income tax

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

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

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

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

Australia Pacific Airports Corporation Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

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

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(a) Income tax recognised in profit

	2024 \$'000	2023 \$'000
Income tax expense comprises of:		
Current tax expense	60,254	-
Deferred tax expense	73,584	63,466
Current tax in respect of prior years	21	(21)
Deferred tax in respect of prior years	15	(1,201)
Aggregate income tax expense	<u>133,874</u>	<u>62,244</u>

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

Profit before income tax expense	445,794	209,053
Tax at the statutory tax rate of 30% (2023: 30%)	133,738	62,716
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	100	750
Deferred tax in respect of prior years	15	(1,201)
Current tax in respect of prior years	21	(21)
Income tax expense	<u>133,874</u>	<u>62,244</u>

(b) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

2024

	Opening balance 1 July 2023 \$'000	Consolidated Charged to income \$'000	Charged to equity \$'000	Closing balance 30 June 2024 \$'000
Gross deferred tax liabilities:				
Property, plant & equipment	(161,696)	2,700	-	(158,996)
Accrued revenue	(50,925)	(9,140)	-	(60,065)
Investment property	(527,979)	(30,570)	-	(558,549)
Other assets	(1,340)	(86)	-	(1,426)
	<u>(741,940)</u>	<u>(37,096)</u>	<u>-</u>	<u>(779,036)</u>
Gross deferred tax assets:				
Provisions & accruals	8,172	3,325	-	11,497
Unearned income	9,542	(2,087)	-	7,455
Hedge reserve	7,143	2,416	(4,890)	4,669
Tax losses	40,156	(40,156)	-	-
Property, plant & equipment	36	(1)	-	35
	<u>65,049</u>	<u>(36,503)</u>	<u>(4,890)</u>	<u>23,656</u>
Net deferred tax liability	<u>(676,891)</u>	<u>(73,599)</u>	<u>(4,890)</u>	<u>(755,380)</u>

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2023

	Consolidated		
	Opening Balance 1 July 2022 \$'000	Charged to income \$'000	Charged to equity \$'000
			Closing balance 30 June 2023 \$'000
Gross deferred tax liabilities:			
Property, plant & equipment	(169,674)	7,978	-
Accrued revenue	(47,265)	(3,660)	-
Investment property	(521,520)	(6,459)	-
Other assets	(1,520)	180	-
	<u>(739,979)</u>	<u>(1,961)</u>	<u>-</u>
Gross deferred tax assets:			
Provisions & accruals	9,365	(1,193)	-
Unearned income	(5)	9,547	-
Hedge reserve	15,352	(2,864)	(5,345)
Tax losses	105,951	(65,795)	-
Other	36	-	-
	<u>130,699</u>	<u>(60,305)</u>	<u>(5,345)</u>
Net deferred tax liability	<u>(609,280)</u>	<u>(62,266)</u>	<u>(5,345)</u>

7. Trade and other receivables

	2024 \$'000	2023 \$'000
Trade and other receivables	158,420	141,223
Less: Allowance for expected credit losses	(9,453)	(1,466)
Net trade and other receivables	<u>148,967</u>	<u>139,757</u>
Total trade and other receivables	<u>148,967</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.

Allowance for expected credit losses

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

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

7. Trade and other receivables (continued)

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

	Carrying amount 2024 \$'000	Carrying amount 2023 \$'000	Allowance for expected credit losses 2024 \$'000	Allowance for expected credit losses 2023 \$'000
Not overdue	131,049	116,602	3,036	-
0 - 30 Days	19,719	17,922	2,075	-
31 - 60 Days	5,098	5,136	2,395	-
61 - 90 Days	1,128	65	530	-
> 90 Days	1,426	1,498	1,417	1,466
	<u>158,420</u>	<u>141,223</u>	<u>9,453</u>	<u>1,466</u>

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

	2024 \$'000	2023 \$'000
Opening balance	1,466	2,208
Additional provisions recognised	8,049	-
Receivables written off during the year as uncollectable	(2)	(64)
Unused amounts reversed	(60)	(678)
Closing balance	<u>9,453</u>	<u>1,466</u>

8. Accrued revenue

	2024 \$'000	2023 \$'000
<i>Current:</i>		
Straight line leases	17,982	10,731
Other accrued revenue	22,533	28,629
Accrued rebates	2,000	2,000
Total current	<u>42,515</u>	<u>41,360</u>
<i>Non-current:</i>		
Straight line leases	279,033	160,170
Accrued rebates	723	2,723
Total non-current	<u>279,756</u>	<u>162,893</u>

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

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

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9. Other assets

	2024 \$'000	2023 \$'000
<i>Current assets</i>		
Prepayments	39,539	48,079
Term deposits	488	846
Other current assets	137	69
Total current	<u>40,164</u>	<u>48,994</u>
<i>Non-current assets</i>		
Other non-current assets	4,650	2,048
	<u><u>44,814</u></u>	<u><u>51,042</u></u>

10. Property, plant and equipment

	Leasehold land \$'000	Buildings and services \$'000	Roads, runways & infra- structure \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
2024						
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	-	-	-	-	686,366	686,366
Disposals	-	-	-	(163)	-	(163)
Impairment	-	-	-	-	(605)	(605)
Transfers to/(from) assets under construction	-	26,820	83,636	49,024	(159,480)	-
Balance at 30 June 2024	<u>238,843</u>	<u>2,329,039</u>	<u>1,520,705</u>	<u>1,438,973</u>	<u>1,206,362</u>	<u>6,733,922</u>
Accumulated depreciation						
Balance at 1 July 2023	(25,657)	(906,194)	(515,226)	(990,322)	-	(2,437,399)
Depreciation expense	(2,313)	(100,973)	(47,246)	(83,269)	-	(233,801)
Disposals	-	-	-	163	-	163
Balance at 30 June 2024	<u>(27,970)</u>	<u>(1,007,167)</u>	<u>(562,472)</u>	<u>(1,073,428)</u>	<u>-</u>	<u>(2,671,037)</u>
Net book value at 30 June 2024	<u><u>210,873</u></u>	<u><u>1,321,872</u></u>	<u><u>958,233</u></u>	<u><u>365,545</u></u>	<u><u>1,206,362</u></u>	<u><u>4,062,885</u></u>

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10. Property, plant and equipment (continued)

2023	Leasehold land \$'000	Buildings and services \$'000	Roads, runways & infra- structure \$'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

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Buildings	10-40 years
Roads, runways and other infrastructure	13-80 years
Plant and equipment	3-15 years
Assets under construction	Not depreciated

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

11. Investment properties

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

The profit for the year includes a gain on revaluation of investment properties of \$101.9 million, driven by development profits and land value increase net of infrastructure spend.

	2024 \$'000	2023 \$'000
Balance at beginning of the period	2,299,918	2,199,574
Additions for the period (at cost)	137,826	102,051
Net (loss)/ gain from fair value adjustments for the year	101,900	(1,707)
Balance at end of the period	2,539,644	2,299,918

11. Investment properties (continued)

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

Valuation of investment properties

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

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

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

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

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

Key inputs and sensitivities

Measuring the fair value of the 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. Recent and relevant sales evidence and other market data are also considered.

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

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11. Investment properties (continued)

- Capitalisation rates ranging from 5.13% to 7.05%
- Discount rates ranging from 7% to 8%
- Terminal yields ranging from 5.52% to 7.55% and
- Market rental growth rates ranging from 2.47% to 3.65%

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

12. Intangible assets

	Goodwill \$'000	Masterplan \$'000	Software \$'000	Total \$'000
2024				
Net book value				
Balance at 1 July 2023	671,866	2,228	923	675,017
Additions	-	-	18	18
Amortisation charge	-	(498)	(436)	(934)
	<u>671,866</u>	<u>1,730</u>	<u>505</u>	<u>674,101</u>
Cost	671,866	2,504	33,343	707,713
Accumulated amortisation and impairment	-	(774)	(32,838)	(33,612)
Net book value at 30 June 2024	<u>671,866</u>	<u>1,730</u>	<u>505</u>	<u>674,101</u>
	Goodwill \$'000	Masterplan \$'000	Software \$'000	Total \$'000
2023				
Net book value				
Balance at 1 July 2022	671,866	1,539	3,596	677,001
Disposal	-	-	(4)	(4)
Additions	-	2,073	525	2,598
Amortisation charge	-	(1,384)	(3,194)	(4,578)
	<u>671,866</u>	<u>2,228</u>	<u>923</u>	<u>675,017</u>
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>

Critical accounting estimates and judgements - impairment of goodwill

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

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 capitalised earnings approach by calculating the implied multiples of the valuation and comparing these with those of comparable companies and transactions to ensure the valuation is providing a reliable measure.

12. Intangible assets (continued)

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

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

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

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

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

Accounting policy for Master Plan intangible asset

Under the Airports Act 1996, Melbourne Airport are required every 5 years and Launceston Airports every 8 years to prepare Master Plans to guide the development of the airports for the next 20 years. The costs associated with the Melbourne Airport Master Plan is recognised as an intangible asset amortised over the 5 year period and Launceston Airport over an 8 year period.

Software

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

Software-as-a-Service (SaaS) arrangements

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

13. Payables

	2024	2023
	\$'000	\$'000
Current liabilities		
Trade and other payables (i)	219,324	70,888
GST payable	4,214	2,258
Accrual for assets under construction	71,240	56,271
	<u>294,778</u>	<u>129,417</u>
Interest payable to:		
- Secured debt - bank (ii)	<u>29,426</u>	<u>36,902</u>
	<u><u>324,204</u></u>	<u><u>166,319</u></u>

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13. Payables (continued)

	2024 \$'000	2023 \$'000
Non-current liabilities		
Undistributed capital note liability (iii)	1,202	1,202
Other non-current liabilities	-	1,250
	<u>1,202</u>	<u>2,452</u>

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

(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 APAL with distribution equal to 1/9th of declared dividends. Capital notes are redeemable at the end of the Launceston Airport lease.

14. Borrowings

At the reporting date the Group's debt comprises: Bank facilities (Syndicated and bilateral); term bank debt; 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) 2024	Face value Undrawn (\$'000) 2024	Drawn (\$'000) 2023	Undrawn (\$'000) 2023
Drawn and undrawn				
Unsecured bank overdraft	-	22,077	-	22,066
Secured term bank debt	1,300,000	-	1,300,000	-
Secured bank facilities	38,800	1,426,200	34,800	1,770,200
	<u>1,338,800</u>	<u>1,448,277</u>	<u>1,334,800</u>	<u>1,792,266</u>
Secured capital markets debt	4,606,684	-	4,501,606	-
Total Borrowings	<u>5,945,484</u>	<u>1,448,277</u>	<u>5,836,406</u>	<u>1,792,266</u>

Accounting policy for borrowings

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

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

Fair value

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

The fair value of all financial instruments is derived from quoted market interest rates which are subsequently incorporated within generally applied discounted cash flow models. The amounts carried on the Statement of Financial Position approximate the fair value with the following exceptions for interest bearing liabilities with the fair values included in the below table under the heading "Fair Value".

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14. Borrowings (continued)

Type	Maturity	Currency	Original Currency \$'000	Principal Drawn	Carrying Amount (ii)		Fair Value	
				Face Value (AUD) (i) \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Capital Markets Debt								
USPP	15-Sep-23	USD	200,000	-	-	301,659	-	300,812
EMTN (iii)	26-Sep-23	EUR	550,000	-	-	901,787	-	899,920
EMTN	15-Oct-24	EUR	350,000	505,051	564,881	573,865	570,427	556,881
AMTN	11-Nov-25	AUD	120,000	120,000	120,000	120,000	118,796	117,304
USPP	15-Sep-26	USD	200,000	191,077	301,932	301,659	296,052	291,962
AMTN	4-Nov-26	AUD	200,000	200,000	200,000	200,000	192,500	187,775
USPP (\$A)	15-Jan-28	AUD	50,000	50,000	50,000	50,000	50,569	50,178
EMTN	27-Sep-30	NOK	1,500,000	242,994	211,099	209,418	191,879	182,510
AMTN	25-Nov-31	AUD	700,000	700,000	700,000	700,000	613,746	575,963
USPP (iii)	4-Dec-31	USD	105,000	151,844	158,514	158,371	133,704	133,087
EMTN (iii)	24-May-33	EUR	500,000	812,799	806,972	819,807	849,719	813,267
EMTN (iii) (iv)	07-Jun-34	EUR	650,000	1,081,075	1,049,064	-	1,073,353	-
USPP	4-Dec-34	USD	105,000	151,844	158,514	158,371	125,756	127,559
USPP (\$A)	4-Dec-39	AUD	150,000	150,000	150,000	150,000	117,359	110,090
USPP (\$A)	4-Dec-44	AUD	250,000	250,000	250,000	250,000	189,801	173,208
Total Capital Market Debt				4,606,684	4,720,976	4,894,937	4,523,661	4,520,516
Bank Debt								
Cash Advance Facility (v)	30-Jul-25	AUD		38,800	38,800	34,800	38,800	34,800
Term Debt	16-Jun-26	AUD		200,000	200,000	200,000	200,616	199,284
Term Debt	13-Sep-27	AUD		292,000	292,000	292,000	302,392	297,189
Term Debt	16-Jun-29	AUD		300,000	300,000	300,000	292,335	289,172
Term Debt	13-Sep-29	AUD		508,000	508,000	508,000	511,836	501,709
Total bank debt				1,338,800	1,338,800	1,334,800	1,345,979	1,322,154
Total Borrowings				5,945,484	6,059,776	6,229,737	5,869,640	5,842,670
Fair value hedge accounting adjustments (iii)					(24,845)	(33,052)	-	-
Deferred upfront borrowing costs					(43,143)	(37,167)	-	-
Total Net Borrowings				5,945,484	5,991,788	6,159,518	5,869,640	5,842,670
							2024 \$'000	2023 \$'000
Current							564,634	1,197,293
Non-current							5,427,154	4,962,225
Total Net Borrowings							5,991,788	6,159,518

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

- (i) Face values of foreign debt shown reflects the AUD value of the hedged principal amount at inception of the debt.
(ii) Carrying amounts of foreign debt reflect revalued debt in AUD at spot rates as at 30 June 2024 and 30 June 2023, as applicable.
(iii) Individual borrowing carrying amounts exclude fair value hedge accounting adjustments. EMTN maturing in May 2033 and June 2034 and USPP maturing in 2031 are subject to cross currency swaps with a floating pay leg and are the only instruments with a fair value hedge (refer additional detail regarding fair value hedges at Note 15). The cumulative amount of fair value hedge adjustments at 30 June 2024 was (\$24,845,222) attributable to each borrowing as follows: EMTN maturing 2033 - \$3,533,024, EMTN maturing 2034 - (\$6,184,720) and USPP maturing 2031 - (\$22,193,526).
(iv) A new EUR 650 million EMTN, with a hedged principal amount of \$1,081 million, was issued on 7 March 2024.

14. Borrowings (continued)

(vi) Cash Advance Facility refers to the bank facility for Australia Pacific Airports (Launceston) Pty Ltd. The facility is for \$65 million of which \$26.2 million was undrawn at 30 June 2024.

15. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rates, including interest rate swaps, swaptions and cross currency hedges. Net derivative assets decreased by \$289.1 million over the period from \$380.0 million to \$90.9 million, of which \$223.1 million related to derivatives hedging September 2023 USPP and EMTN debt maturities.

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

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

Accounting policy for derivative financial instruments

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

Hedge accounting

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

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

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

15. Derivative financial instruments (continued)

Fair value hedges

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

Cash flow hedges

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

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

	Borrowings	Derivative	Borrowings	Derivative
	2024	assets	2023	assets
	\$'000	2024	2023	2023
	\$'000	\$'000	\$'000	\$'000
Carrying value as at 1 July 2023	6,159,518	(379,994)	5,059,448	(266,849)
Proceeds from borrowings	1,085,075	-	1,612,799	-
Repayments of borrowings	(975,996)	-	(621,000)	-
Cash inflow / outflow for swaptions	-	1,351	-	(3,200)
Debt issuance costs (cash)	(14,607)	-	(21,855)	-
	<u>94,472</u>	<u>1,351</u>	<u>969,944</u>	<u>(3,200)</u>
Non-cash movements				
Foreign exchange movement	(279,039)	279,039	140,218	(140,218)
Debt issuance costs (accrual movement)	958	-	(1,591)	-
Amortisation of deferred borrowing costs	7,672	-	9,624	-
Fair value changes (other than foreign exchange movement)	8,207	8,685	(18,125)	30,273
	<u>(262,202)</u>	<u>287,724</u>	<u>130,126</u>	<u>(109,945)</u>
Carrying value as at 30 June 2024	<u><u>5,991,788</u></u>	<u><u>(90,919)</u></u>	<u><u>6,159,518</u></u>	<u><u>(379,994)</u></u>

16. Financial risk management

(a) Capital risk management

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

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

(b) Financial risk management objectives

The Group's corporate treasury function provides financing, investing and financial risk management services to the business. The strategic objectives of the corporate treasury function are to manage all material financial risks related to the Group's treasury activities including funding, liquidity, interest rate, foreign exchange, counterparty credit, operational and

16. Financial risk management (continued)

compliance risks. Corporate Treasury also provides support to the Group by ensuring financial metrics are maintained at levels that support a strong and stable standalone investment grade corporate credit rating.

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

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

(c) Interest rate risk management

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

	Average contracted fixed interest rate		Notional principal amount		Fair value of interest rate derivatives	
	2024 %	2023 %	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Less than 1 year	-	4.2%	-	729,000	-	1,711
1 to 2 years	-	-	-	-	-	-
2 to 5 years	3.4%	3.6%	1,099,000	1,741,000	29,262	29,833
5 years +	-	3.3%	-	118,000	-	5,689
			<u>1,099,000</u>	<u>2,588,000</u>	<u>29,262</u>	<u>37,233</u>

As at 30 June 2024, of the total face value debt of \$5,945.5 million, \$4,060.0 million is fixed rate (including post hedging) and \$1,885.5 million is floating rate. The \$4,060.0 million of fixed rate debt comprises \$1,470.0 million of Australian dollar fixed rate debt (AMTN and AUD denominated USPP), \$1,099.0 million floating rate debt subject to interest rate derivatives per the above table, and \$1,491.0 million of foreign currency denominated debt converted to fixed rates through cross currency derivatives per the table below under "Foreign currency risk management".

The sensitivity analyses below have been determined based on the Group's 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 Group's:

- Net profit would increase / decrease by \$9,427,588 (2023: increase / decrease \$6,481,831) as a result of the Group's exposure to variable interest rates on certain borrowings;
- Other equity reserves would increase / decrease by \$16,411,575 (2023: increase / decrease \$15,724,001) mainly as a result of changes in fair value through other comprehensive income for fixed rate derivative instruments.

(d) Foreign currency risk management

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

16. Financial risk management (continued)

	Average Contracted Interest Rate	Average Exchange Rate	Notional Principal Amount		Fair Value of Cross Currency Interest Rate Derivatives	
			1 to 5 years \$'000	> 5 years \$'000	1 to 5 years \$'000	> 5 years \$'000
2024						
USPP (USD305m)	5.7%	0.8894	191,077	151,844	98,645	12,040
USPP (USD105m)	BBSW + 1.5%	0.6915	-	151,844	-	(15,507)
EMTN (EUR596m)	5.4%	0.6586	505,051	400,000	55,451	5,472
EMTN (EUR904m)	BBSW + 1.8%	0.6051	-	1,493,874	-	(58,092)
EMTN (NOK1,500m)	4.2%	6.1730	-	242,994	-	(36,451)
			<u>696,128</u>	<u>2,440,556</u>	<u>154,096</u>	<u>(92,538)</u>

	Average Contracted Interest Rate	Average Exchange Rate	Notional Principal Amount		Fair Value of Cross Currency Interest Rate Derivatives	
			1 to 5 years \$'000	> 5 years \$'000	1 to 5 years \$'000	> 5 years \$'000
2023						
USPP (USD505m)	6.4%	0.9457	382,153	151,844	203,677	1,357
USPP (USD105m)	BBSW + 1.5%	0.6915	-	151,844	-	-
EMTN (EUR596m)	5.4%	0.6586	505,051	400,000	51,857	10,110
EMTN (EUR804m)	BBSW + 1.9%	0.6712	784,923	412,799	112,320	-
EMTN (NOK1,500m)	4.2%	6.1730	-	242,994	-	(36,560)
			<u>1,672,127</u>	<u>1,359,481</u>	<u>367,854</u>	<u>(25,093)</u>

(e) Liquidity risk

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

As at 30 June 2024, the Group had \$2,014.2 million of available liquidity in the form of \$1,426.2 million of undrawn bank facilities and \$588.0 million of cash and cash equivalents. This provides sufficient liquidity to cover all financial liabilities due in the next 12 months.

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

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16. Financial risk management (continued)

2024	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial liabilities					
Trade and other payables	294,779	-	-	-	294,779
Interest payable	29,426	-	-	-	29,426
Lease liability	322	966	6,437	2,575	10,300
Non-current payables		-	-	1,202	1,202
	<u>324,527</u>	<u>966</u>	<u>6,437</u>	<u>3,777</u>	<u>335,707</u>
 Borrowings (principal and interest):					
Term bank debt	18,889	57,760	1,022,854	515,556	1,615,059
Bank facilities	543	1,632	39,171	-	41,346
AMTN	9,814	29,359	439,278	765,908	1,244,359
USPP	8,729	34,082	483,794	966,115	1,492,720
EMTN	5,700	652,420	331,331	2,429,567	3,419,018
	<u>43,675</u>	<u>775,253</u>	<u>2,316,428</u>	<u>4,677,146</u>	<u>7,812,502</u>
 Cross currency interest rate swaps					
- Outflow	24,335	90,378	435,361	2,385,039	2,935,113
- Inflow	(5,700)	(65,218)	(281,837)	(2,133,894)	(2,486,649)
	<u>18,635</u>	<u>25,160</u>	<u>153,524</u>	<u>251,145</u>	<u>448,464</u>
	<u>386,837</u>	<u>801,379</u>	<u>2,476,389</u>	<u>4,932,068</u>	<u>8,596,673</u>
	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
2023	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities					
Trade and other payables	129,413	-	-	-	129,413
Interest payable	36,902	-	-	-	36,902
Lease liability	322	966	6,437	3,862	11,587
Non-current payables	1,250	-	-	1,202	2,452
	<u>167,887</u>	<u>966</u>	<u>6,437</u>	<u>5,064</u>	<u>180,354</u>
 Borrowings (principal and interest):					
Term bank debt	18,385	59,174	738,700	860,676	1,676,935
Bank facilities	462	1,386	36,966	-	38,814
AMTN	9,901	29,702	452,130	792,228	1,283,961
USPP	317,242	33,939	500,979	991,065	1,843,225
EMTN	935,622	45,941	749,963	1,225,461	2,956,987
	<u>1,281,612</u>	<u>170,142</u>	<u>2,478,738</u>	<u>3,869,430</u>	<u>7,799,922</u>
 Cross currency interest rate swaps					
- Outflow	7,251	12,671	76,419	460,287	556,628
- Inflow	(5,654)	(5,242)	(43,652)	(410,010)	(464,558)
Interest rate swaps	5,714	-	-	-	5,714
	<u>7,311</u>	<u>7,429</u>	<u>32,767</u>	<u>50,277</u>	<u>97,784</u>
	<u>1,456,810</u>	<u>178,537</u>	<u>2,517,942</u>	<u>3,924,771</u>	<u>8,078,060</u>

16. Financial risk management (continued)

(f) Credit risk management

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

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

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

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

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16. Financial risk management (continued)

Hedge Accounting Relationship	Fair Value Hedge		Cash Flow Hedge				Total
Hedging Instrument	USD - CCIRS	EUR - CCIRS	USD - CCIRS	EUR - CCIRS	NOK - CCIRS	AUD - IRS + Swaptions	
Hedged Item	USD Fixed Debt	EUR Fixed Debt	USD Fixed Debt	EUR Fixed Debt	NOK Fixed Debt	AUD Floating Debt	
Notional Amount	USD 105,000,000	EUR 903,936,718	USD 410,000,000	EUR 1,500,000,000	NOK 1,500,000,000	AUD 1,099,000,000	
Hedge Ratio	1:1	1:1	1:1	1:1	1:1	1:1	
Denomination	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's
At 30 June 2024							
<i>Carrying amount of hedging instruments</i>							
Assets	-	3,531	116,998	60,923	-	29,262	210,714
Liabilities	(21,819)	(44,958)	-	(16,666)	(36,351)	-	(119,794)
Total	(21,819)	(41,427)	116,998	44,257	(36,351)	29,262	90,920
Cumulative fair value adjustment on hedged item ¹	22,194	2,652	-	-	-	-	24,845
Carrying amount of the hedged item recognised in the statement of financial position	(135,501)	(1,441,626)	-	-	-	-	(1,577,127)
Balance in cash flow hedge reserve for continuing hedges ²	-	2,563	5,199	9,130	4,456	(36,561)	(15,213)
Balance in cash flow hedge reserve from discontinued hedges	-	-	11,334	977	-	19,887	32,198
During the Year							
<i>Change in fair value of hedging instrument</i>							
used for calculating hedge effectiveness	(5)	(32,498)	(23,663)	(94,007)	210	(9,525)	(159,487)
due to cash payment on restructure of hedges	-	-	-	-	-	(1,351)	(1,351)
<i>Change in fair value of hedged item</i>							
used for calculating hedge effectiveness	650	25,717	29,093	103,453	(625)	13,933	172,221
<i>Change in cash flow hedge reserve</i>							
for continuing hedge relationships	-	(2,563)	(853)	1,982	(1,471)	(9,562)	(12,466)
for discontinued hedge relationships	-	-	6,972	(25,048)	-	46,841	28,765
<i>Change in profit or loss</i>							
Ineffectiveness recognised in profit and loss	644	(6,780)	49	(1,839)	-	37	(7,889)
Reclassified from CFHR to profit and loss on continued hedge relationships	-	-	108,994	161,397	(6,748)	9,356	272,998
Reclassified from CFHR to profit and loss on discontinued hedge relationships	-	-	(6,973)	25,048	-	(49,061)	(30,986)

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

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

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2024

16. Financial risk management (continued)

Hedge Accounting Relationship	Fair Value Hedge		Cash Flow Hedge				Total
Hedging Instrument	USD - CCIRS	EUR - CCIRS	USD - CCIRS	EUR - CCIRS	NOK - CCIRS	AUD - IRS + Swaptions	
Hedged Item	USD Fixed Debt	EUR Fixed Debt	USD Fixed Debt	EUR Fixed Debt	NOK Fixed Debt	AUD Floating Debt	
Notional Amount	USD 105,000,000	EUR 803,936,718	USD 610,000,000	EUR 1,400,000,000	NOK 1,500,000,000	AUD 2,588,000,000	
Hedge Ratio	1:1	1:1	1:1	1:1	1:1	1:1	
Denomination	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's
At 30-June-2023							
<i>Carrying amount of hedging instruments</i>							
Assets	-	-	226,848	183,297	-	38,208	448,352
Liabilities	(21,814)	(8,929)	-	(81)	(36,560)	(975)	(68,359)
Total	(21,814)	(8,929)	226,848	183,216	(36,560)	37,233	379,993
Cumulative fair value adjustment on hedged item ¹	21,544	11,508	-	-	-	-	33,052
Carrying amount of the hedged item recognised in the statement of financial position	(135,888)	(1,291,155)	-	-	-	-	(1,427,043)
Balance in cash flow hedge reserve for continuing hedges	-	-	4,346	11,112	2,985	(46,122)	(27,679)
Balance in cash flow hedge reserve from discontinued hedges	-	-	18,306	(24,072)	-	66,729	60,963
During the Year							
<i>Change in fair value of hedging instrument</i>							
used for calculating hedge effectiveness	(7,898)	(8,122)	30,141	110,496	(14,463)	(8,571)	101,582
due to cash payment on restructure of hedges	-	-	-	-	-	-	-
<i>Change in fair value of hedged item</i>							
used for calculating hedge effectiveness	7,550	10,574	(27,339)	(118,523)	15,806	13,047	(98,885)
<i>Change in cash flow hedge reserve</i>							
for continuing hedge relationships	-	-	(3,360)	(14,379)	(4,341)	(8,563)	(30,643)
for discontinued hedge relationships	-	-	13,807	25,290	-	9,364	48,461
<i>Change in profit or loss</i>							
Ineffectiveness recognised in profit and loss	(348)	2,452	17	8,020	-	(8)	10,132
Reclassified from CFHR to profit and loss on continued hedge relationships	-	7,692	(16,080)	(174,433)	5,641	21,531	(155,648)
Reclassified from CFHR to profit and loss on discontinued hedge relationships	-	-	(13,807)	(23,288)	-	(9,364)	(46,459)

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

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2024

17. Lease liabilities

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

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

18. Lease arrangements - Lessor

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

	2024 \$'000	2023 \$'000
Within one year	173,934	123,303
Later than one year but not later than 5 years	517,844	450,726
Later than 5 years	1,012,966	1,048,661
	<u>1,704,744</u>	<u>1,622,690</u>

19. Issued capital

	2024 \$'000	2023 \$'000
118,100,000 Ordinary Shares - fully paid (30 June 2023: 118,100,000)	118,100	118,100

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

20. Hedging reserves

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

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

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2024

21. Commitments

	2024 \$'000	2023 \$'000
Capital expenditure commitments		
No longer than 1 year	786,655	437,866
Longer than 1 year but no longer than 5 years	477,999	365,853
Total property, plant and equipment commitments	<u>1,264,654</u>	<u>803,719</u>

Other commitments

The Group has entered into a long-term power purchase agreement to support its sustainability initiatives. This agreement requires the Group to purchase a fixed volume of renewable energy at predetermined prices. As of 30 June 2024, the Group has committed to purchasing 80,000 MWhrs of renewable energy annually through these agreements, with the flexibility of +/- 20%.

22. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2024 %	2023 %
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 in accordance with the Corporations Act 2001 and are relieved from the requirement to prepare, audit and lodge financial statements.

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

23. Related party transactions

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 22 to the financial statements.

(b) Key management personnel compensation

The aggregate compensation of the key management personnel of the Group is set out below. The key management personnel during the year were: P. Hay, L. Argus, R. Martin, G. Devonport, J Parashos and J. McDermott.

	2024 \$	2023 \$
Short-term employee benefits	6,706,109	6,992,275
Long-term incentives	672,335	495,266
Resignations	384,000	565,000
	<u>7,762,444</u>	<u>8,052,541</u>

23. Related party transactions (continued)

(c) Transactions within the wholly-owned group

Australia Pacific Airports Corporation Limited (APAC) is the ultimate parent entity of the wholly owned group, and the parent entity of the tax consolidated group.

In accordance with tax sharing arrangements (refer to Note 6) tax payments have been received or accrued to reflect the wholly owned Controlled Entity's share of the tax expense of the tax consolidated group.

(d) Transactions with Shareholders

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

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

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2024

24. Notes to the Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position.

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

	2024 \$'000	2023 \$'000
Profit after income tax expense for the year	311,920	146,809
Adjustments for:		
Impairment of property, plant and equipment	605	5
Non-cash movement in income tax and deferred tax expense	73,596	62,247
Amortisation of deferred borrowing costs	11,382	10,325
Hedge reserve unwind	29,483	29,266
Depreciation and amortisation of non-current assets	234,735	241,807
Gain on sale of non-current assets	(57)	(31)
Loss/(Gain) on fair value of investment property	(101,900)	1,707
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(7,253)	(58,624)
(Increase)/decrease in other current assets	(1,748)	5,672
(Increase)/decrease in other non-current assets	(602)	2,009
(Increase) in accrued revenue	(120,018)	(11,321)
Increase in trade payables	147,589	25,616
Increase/(decrease) in interest payables	(7,476)	14,663
Increase in employee provisions	3,047	916
Increase/(decrease) in unearned income	(2,037)	8,715
Increase in tax payable	46,330	-
Net cash from operating activities	<u>617,596</u>	<u>479,781</u>

25. Remuneration of auditors

	2024 \$	2023 \$
Audit or review of the Group financial report and subsidiary financial reports	<u>394,528</u>	<u>373,335</u>
Other assurance services and agreed-upon procedures under other legislation or contractual arrangements	<u>174,826</u>	<u>231,570</u>
	<u>569,354</u>	<u>604,905</u>

The auditor of Australia Pacific Airports Corporation Limited is Deloitte Touche Tohmatsu.

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2024

26. Company disclosures

The financial information below relates to APAC as a standalone entity:

	2024 \$'000	2023 \$'000
(a) Financial position:		
Assets:		
Current assets	19,289	19,289
Non-current assets	128,032	128,032
Total assets	<u>147,321</u>	<u>147,321</u>
Liabilities:		
Current liabilities	(14)	(14)
Non-current liabilities	-	-
Total liabilities	<u>(14)</u>	<u>(14)</u>
Net assets	<u>147,307</u>	<u>147,307</u>
Equity:		
Issued capital	118,100	118,100
Retained earnings	<u>29,207</u>	<u>29,207</u>
	<u>147,307</u>	<u>147,307</u>
(b) Financial performance		
Other comprehensive income	312,755	-
Total other comprehensive income	<u>312,755</u>	<u>-</u>

27. Contingent liabilities

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

28. Events occurring after the reporting period

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

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

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

Australia Pacific Airports Corporation Limited
Consolidated entity disclosure statement
As at 30 June 2024

Entity name	Entity Type	Ownership interest	Place formed/ Country of incorporation	Tax residency
APAC (Holdings No.2) Pty. Limited	Body corporate	100%	Australia	Australian resident
Australia Pacific Airports (Melbourne) Pty. Limited	Body corporate	100%	Australia	Australian resident
Australia Pacific Airports (Launceston) Pty. Limited	Body corporate	100%	Australia	Australian resident
Australia Pacific Airports (Property) Pty. Limited	Body corporate	100%	Australia	Australian resident
APAC (Holdings) Pty. Limited	Body corporate	100%	Australia	Australian resident

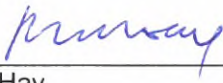
Australia Pacific Airports Corporation Limited
Directors' declaration
30 June 2024

The Directors declare that:

- (a) The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity;
- (b) The attached financial statements and notes thereto are in compliance with International Financial Reporting Standards as stated in Note 1 to the financial statements;
- (c) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- (d) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of Directors

On behalf of the Directors



Mr P. Hay
Chairman

29 August 2024
Melbourne

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

Report on the Audit of the Financial Report

Opinion

We have audited the 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 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the directors' declaration and the consolidated entity disclosure statement.

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

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

Basis for Opinion

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

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

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

Other Information

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our

knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible:

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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

Jason Thorne
Partner
Chartered Accountants
Sydney, 29 August 2024