

Australia Pacific Airports (Melbourne) Pty. Limited

ACN 076 999 114

Half Year Report - 31 December 2023

Australia Pacific Airports (Melbourne) Pty. Limited
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31 December 2023

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General information

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

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

Level2, Terminal 4,
Melbourne Airport VIC 3045
(03) 9297 1600
Website: www.melbourneairport.com.au
Email: reception@melair.com.au

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2024.

The directors present their report, together with the financial statements, on the company for the period ended 31 December 2023.

Directors

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

Lorie Argus	Appointed 1 July 2022
Jai McDermott	Appointed 30 June 2023
Ruth Martin	Appointed 2 October 2023
Andrew Gardiner	Resigned 30 June 2023
Grant Devonport	Resigned 2 October 2023

Principal activities

During the financial period the principal continuing activity of the company was the ownership and management of Melbourne Airport.

Dividends

The Directors are proposing a dividend for the half year ended 31 December 2023 of \$169,131,000 (\$1.69) per share to be paid in March 2024.

Dividends paid during the financial period were as follows:

	31 December 2023 \$'000	31 December 2022 \$'000
Final dividend for the year ended 30 June 2023 (2022: Nil)	139,244	-

Review of operations

The past six months delivered a significant milestone for the Company, with 17.7 million passengers passing through the Melbourne airport, an 18% increase on the half year ended 31 December 2022, and the full restoration of international capacity.

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

In less than twelve months since travel to and from mainland China resumed, services to China in the month of December 2023 were 105 per cent of December 2019 capacity, or 95 per cent including Hong Kong.

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

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

The Company welcomed 12.2 million domestic passengers in the six months to December 2023 with domestic travel now supported by international arrivals. Leisure routes continue to perform strongly while the key business route Melbourne to Sydney is operating at around 90 per cent of 2019. Though domestic airline performance has improved on time performance and cancellations remain higher than 2019.

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

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

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

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

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

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

Melbourne Airport Rail

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

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

Third Runway

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

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

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

Financial results:

The Company delivered a full recovery of financial performance, with operating profit of \$424.7 million for the half year ended 31 December 2023. This compares to \$397.7 million for the six months to December 2019 and \$320.7 million for the six months to December 2022.

Operating Profit (m)	Dec-23	Dec-22	Dec-19 (pre-COVID)
Operating Profit	424.7	320.7	397.7

Revenue increased by \$111.7 million to \$598.9 million for the period compared to December 2022.

Revenue (m)	Dec-23	Dec-22	Dec-19 (pre-COVID)
Aeronautical	260.6	202.2	230.2
Retail	88.5	56.8	96.0
Ground Transport	120.2	109.1	109.1
Property	64.2	59.6	51.7
Outgoings/ recharges	17.0	21.9	16.8

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

Operating Costs increased by \$3.0m excluding security passthrough, software as a service and the expected credit loss adjustments. The increase is a result of required service provision volume for cleaning and operations cost aligned to the recovery of passenger volumes and supplier price increase year on year.

Australia Pacific Airports Corporation Limited
Directors' report
31 December 2023

Borrowing costs increased by \$24.5 million for the first half of FY24 as a result of increasing interest rates and additional debt offset by \$12.2m interest income from cash on deposit.

The Company returned a profit after tax of \$123.4 million for the period compared to \$58.2 million in December 2022. Carry forward tax losses from prior periods have been fully utilised in the period with the Company being in a tax payable position of \$14.4 million at 31 December 2023.

APAM's balance sheet remains strong with \$1,216.1 million of liquidity at balance date including undrawn bank facilities of \$1,151.7 million and cash of \$64.4 million. Market readiness activities are underway to access capital markets to fund the FY24 and FY25 capex program. The Group continues to be compliant with financial covenants for the period ended 31 December 2023.

Operating cash inflows for the first half of FY24 were \$307 million on the back of strong passenger numbers and business unit performance. Cash Inflows for the period compare favourably to the 6 months to 31 December 2022 \$218 million and December 2019 \$238 million.

Investing cash outflows \$377.9 million (31 December 2023) reflect the Company's ongoing capital works with the increase in comparison to December 2022 attributable to the uplift in construction activity.

Net financing cash outflows \$851 million include debt repayments of \$976 million partially offset by \$270 million drawdown of debt. Debt repayments in the period were made from funds raised under the Euro bonds (EMTN) program in FY23.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the company during the financial period.

Events occurring after balance sheet date

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

Future developments

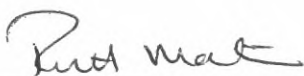
The Company's future developments and operations are included with the Master Plans of Melbourne Airport 2022. The document, published every five years, includes setting the strategic direction for the airport, providing plans for development, documenting to the public the intended uses of the sites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

Rounding

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

This report is made in accordance with a resolution of directors.

On behalf of the directors



Mrs. Ruth Martin
Director

27 February 2024
Melbourne

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

Report on the Half-Year Financial Report

Conclusion

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

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

Basis for Conclusion

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

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

Directors' Responsibility for the Half-Year Financial Report

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

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

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

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

Deloitte.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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

Jason Thorne

Partner

Chartered Accountants

Melbourne, 27 February 2024

Australia Pacific Airports (Melbourne) Pty. Limited
Directors' declaration
31 December 2023

In the directors' opinion:

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

Signed in accordance with a resolution of directors.

On behalf of the directors



Ms. Ruth Martin
Director

27 February 2024
Melbourne

Australia Pacific Airports (Melbourne) Pty. Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Revenue			
Aeronautical		260,570	202,188
Security	3	46,357	34,332
Retail		88,536	56,833
Landside Access		120,193	109,071
Property		64,155	59,604
Outgoings/recharges		17,030	21,881
Other income		2,040	3,237
Profit on sale of fixed assets		-	23
Total revenue		<u>598,881</u>	<u>487,169</u>
Expenses			
Staff costs		(35,086)	(35,236)
Security	3	(45,441)	(33,485)
Service and utilities		(60,668)	(51,410)
Maintenance costs		(15,569)	(13,632)
Administration and marketing costs		(9,005)	(8,457)
Other costs		(5,028)	(13,587)
Software as a Service expense		(3,383)	(11,294)
Allowance for expected credit losses		-	654
Total expenses		<u>(174,180)</u>	<u>(166,447)</u>
Operating profit		424,701	320,722
Depreciation, amortisation and impairment	2	(114,400)	(117,365)
Borrowing costs	2	(146,264)	(121,732)
Interest income		<u>12,227</u>	<u>2,465</u>
Profit before income tax expense		176,264	84,090
Income tax expense	4	<u>(52,849)</u>	<u>(25,861)</u>
Profit after income tax expense for the period		123,415	58,229
Other Comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax	14	<u>5,728</u>	<u>(10,027)</u>
Other Comprehensive income/(loss) for the period, net of tax		<u>5,728</u>	<u>(10,027)</u>
Total Comprehensive income for the period		<u><u>129,143</u></u>	<u><u>48,202</u></u>

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

Australia Pacific Airports (Melbourne) Pty. Limited
Statement of financial position
As at 31 December 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		64,411	985,625
Trade and other receivables	5	90,658	136,346
Derivative financial instruments	13	51,025	223,146
Income tax receivable		-	21
Other assets	6	46,613	47,802
Accrued revenue	7	88,346	40,809
Total current assets		<u>341,053</u>	<u>1,433,749</u>
Non-current assets			
Derivative financial instruments	13	138,224	210,940
Investment properties	8	2,324,792	2,281,721
Property, plant and equipment	9	3,785,874	3,559,648
Intangible assets	10	669,992	670,421
Other assets	6	2,575	2,048
Accrued revenue	7	161,056	162,355
Total non-current assets		<u>7,082,513</u>	<u>6,887,133</u>
Total assets		<u>7,423,566</u>	<u>8,320,882</u>
Liabilities			
Current liabilities			
Payables	11	211,080	212,448
Borrowings	12	565,589	1,197,293
Income tax payable		14,395	-
Employee benefit provisions		17,926	22,209
Derivative financial instruments	13	-	264
Lease liabilities		1,287	1,287
Unearned income		6,639	8,987
Total current liabilities		<u>816,916</u>	<u>1,442,488</u>
Non-current liabilities			
Payables	11	1,250	1,250
Borrowings	12	4,626,907	4,927,571
Deferred tax liability	4	709,485	664,571
Employee benefit provisions		1,926	1,823
Derivative financial instruments	13	49,551	53,828
Lease liabilities		2,141	2,447
Unearned income		21,029	22,442
Total non-current liabilities		<u>5,412,289</u>	<u>5,673,932</u>
Total liabilities		<u>6,229,205</u>	<u>7,116,420</u>
Net assets		<u>1,194,361</u>	<u>1,204,462</u>
Equity			
Issued capital		100,000	100,000
Hedging reserves	14	(17,570)	(23,298)
Retained profits		1,111,931	1,127,760
Total equity		<u>1,194,361</u>	<u>1,204,462</u>

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

Australia Pacific Airports (Melbourne) Pty. Limited
Statement of changes in equity
For the period ended 31 December 2023

	Issued capital \$'000	Hedging reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	100,000	(35,771)	988,406	1,052,635
Profit after income tax expense for the period	-	-	58,229	58,229
Other Comprehensive loss for the period, net of tax	-	(10,027)	-	(10,027)
Total Comprehensive income/(loss) for the period	-	(10,027)	58,229	48,202
Balance at 31 December 2022	<u>100,000</u>	<u>(45,798)</u>	<u>1,046,635</u>	<u>1,100,837</u>
	Issued capital \$'000	Hedging reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2023	100,000	(23,298)	1,127,760	1,204,462
Profit after income tax expense for the period	-	-	123,415	123,415
Other Comprehensive income for the period, net of tax	-	5,728	-	5,728
Total Comprehensive income for the period	-	5,728	123,415	129,143
<i>Transactions with owners in their capacity as owners:</i>				
Dividend paid	-	-	(139,244)	(139,244)
Balance at 31 December 2023	<u>100,000</u>	<u>(17,570)</u>	<u>1,111,931</u>	<u>1,194,361</u>

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

Australia Pacific Airports (Melbourne) Pty. Limited
Statement of cash flows
For the period ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities			
Receipts from customers		649,540	499,893
Payments to suppliers and employees		(228,445)	(186,304)
Payment for Software as a Service		(2,737)	(12,507)
Interest received		18,975	2,465
Interest paid		(129,897)	(85,889)
Income tax received/ (paid)		-	105
Net cash from operating activities	16	307,436	217,763
Cash flows from investing activities			
Payments for investment property		(43,071)	(26,696)
Payments for property, plant and equipment		(334,817)	(147,120)
Payments for intangibles		(56)	-
Proceeds from disposal of property, plant and equipment		-	29
Net cash used in investing activities		(377,944)	(173,787)
Cash flows from financing activities			
Proceeds from borrowings		270,000	690,000
Repayment of borrowings		(976,000)	(616,000)
Cash outlay from hedging restructure		-	-
Repayment of lease liabilities		(306)	(340)
Payment for debt related costs		(5,156)	(10,010)
Dividend paid		(139,244)	-
Net cash (used in)/ from financing activities		(850,706)	63,650
Net increase/(decrease) in cash and cash equivalents		(921,214)	107,626
Cash and cash equivalents at the beginning of the financial period		985,625	48,827
Cash and cash equivalents at the end of the financial period		64,411	156,453

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

1. Material accounting policy information

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

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

Basis of preparation

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

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

Rounding

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

Net Current Liability Position

The Company was in a net current liability position of \$475.9 million at 31 December 2023 (30 June 2023: \$8.7 million), principally due to current borrowings of \$565.6 million which mature on 15 October 2024.

The net current liability position as at 31 December 2023 is adequately covered by available liquidity as at 31 December 2023 in the form of cash and cash equivalents of \$64.4 million and undrawn bank facilities of \$1,151.7 million (30 June 2023: \$1,762.1 million).

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

New or amended Accounting Standards and Interpretations adopted

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

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

Standards in issue not yet effective

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

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

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

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

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

2. Profit for the period

	31 December 2023 \$'000	31 December 2022 \$'000
Profit for the period has been derived after charging the following specific expenses:		
Depreciation of property, plant and equipment	113,954	114,258
Amortisation of intangible assets	446	3,107
Total Depreciation, amortisation and impairment	114,400	117,365
Interest:		
- Secured debt	137,885	101,678
- Interest capitalised during the period	(18,286)	(5,928)
- Amortisation of deferred borrowing costs	7,264	4,201
Hedge reserve unwind	18,578	21,355
Interest - Lease liabilities	338	304
Other finance costs	485	122
Total borrowing costs	146,264	121,732

3. Security

	31 December 2023 \$'000	31 December 2022 \$'000
Security revenue	46,357	34,332
Security cost	(45,441)	(33,485)
Security depreciation	(916)	(847)
	-	-

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

4. Income tax

(a) Income tax recognised in profit

	31 December 2023 \$'000	31 December 2022 \$'000
<i>Income tax expense comprises of:</i>		
Current tax	14,395	-
Deferred tax	38,433	25,861
Current tax expense/ (benefit) in respect of prior years	21	-
Deferred tax in respect of prior years	-	-
Aggregate income tax expense	<u>52,849</u>	<u>25,861</u>
<i>The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:</i>		
Profit before income tax expense	<u>176,264</u>	<u>84,090</u>
Tax at the statutory tax rate of 30%	52,879	25,227
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	-	634
Non-assessable income	<u>(51)</u>	<u>-</u>
	52,828	25,861
Current tax expense/ (benefit) in respect of prior years	<u>21</u>	<u>-</u>
Income tax expense	<u>52,849</u>	<u>25,861</u>

(b) Deferred tax balances

	Opening balance 1 July 2023 \$'000	Charged to income \$'000	Transferred to intercompany \$'000	Charged to equity \$'000	Closing balance 31 Dec 2023 \$'000
Gross deferred tax liabilities:					
Property, plant & equipment	(157,393)	1,537	-	-	(155,856)
Investment property	(523,750)	-	-	-	(523,750)
Accrued revenue	(50,913)	(114)	-	-	(51,028)
Other assets	(1,147)	-	-	-	(1,147)
	<u>(733,203)</u>	<u>1,423</u>	<u>-</u>	<u>-</u>	<u>(731,781)</u>
Gross deferred tax assets:					
Provisions & accruals	7,765	(1,281)	-	-	6,485
Unearned income	9,542	72	-	-	9,614
Hedge reserve	7,143	1,509	-	(2,455)	6,197
Tax losses	44,182	(40,156)	(4,026)	-	-
	<u>68,632</u>	<u>(39,856)</u>	<u>(4,026)</u>	<u>(2,455)</u>	<u>22,296</u>
Net deferred tax liability	<u>(664,571)</u>	<u>(38,433)</u>	<u>(4,026)</u>	<u>(2,455)</u>	<u>(709,485)</u>

5. Trade and other receivables

	31 December 2023 \$'000	30 June 2023 \$'000
<i>Current assets</i>		
Trade and other receivables	88,078	137,792
Intercompany receivables	4,026	-
Less: provision for impairment loss	(1,446)	(1,446)
	<u>90,658</u>	<u>136,346</u>

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

Included in the Company's trade receivable balance are debtors with a carrying amount of \$55,400 (June 2023: \$199,600), which were overdue (90 days +) as at the reporting date.

6. Other assets

	31 December 2023 \$'000	30 June 2023 \$'000
<i>Current assets</i>		
Prepayments	46,141	46,956
Bond	472	846
Total current	<u>46,613</u>	<u>47,802</u>
<i>Non-current assets</i>		
Other non-current assets	<u>2,575</u>	<u>2,048</u>
	<u>49,188</u>	<u>49,850</u>

7. Accrued revenue

	31 December 2023 \$'000	30 June 2023 \$'000
<i>Current assets</i>		
Straight line leases	11,331	10,650
Accrued revenue	75,015	28,159
Airline rebates	2,000	2,000
Total current	<u>88,346</u>	<u>40,809</u>
<i>Non-current assets</i>		
Straight line leases	159,333	159,632
Airline rebates	<u>1,723</u>	<u>2,723</u>
	<u>161,056</u>	<u>162,355</u>

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

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

8. Investment properties

	31 December 2023 \$'000	30 June 2023 \$'000
<i>Non-current assets</i>		
Investment property at cost	2,249,077	2,199,260
Investment property - WIP	75,715	82,461
	<u>2,324,792</u>	<u>2,281,721</u>

Management engaged Jones Lang LaSalle to complete an interim valuation of the Company's investment properties as at 31 December 2023 in response to the continuing increase in cash rates during the period. Market capitalisation rates have softened offset by an increase in market yields and fixed escalations. Overall, the valuation at 31 December 2023 remains consistent with 30 June 2023 at \$2.2 billion excluding capital WIP.

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

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

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

9. Property, plant and equipment

	Leasehold land \$000	Buildings and services \$000	Roads, runway and other infrastructure \$000	Plant and equipment \$000	Assets under construction \$000	Total \$000
Gross carrying amount						
Balance at 1 July 2023	238,096	2,261,187	1,399,699	1,368,628	672,088	5,939,698
Additions	-	-	-	-	340,180	340,180
Transfers to/(from) assets under construction	-	16,250	78,250	17,326	(111,826)	-
Balance at 31 December 2023	<u>238,096</u>	<u>2,277,437</u>	<u>1,477,949</u>	<u>1,385,954</u>	<u>900,442</u>	<u>6,279,878</u>
Accumulated depreciation						
Balance at 1 July 2023	(25,474)	(887,122)	(495,687)	(971,767)	-	(2,380,050)
Depreciation expense	(1,153)	(49,631)	(22,888)	(40,282)	-	(113,954)
Balance at 31 December 2023	<u>(26,627)</u>	<u>(936,753)</u>	<u>(518,575)</u>	<u>(1,012,049)</u>	<u>-</u>	<u>(2,494,004)</u>
Net book value at 31 December 2023	<u>211,469</u>	<u>1,340,684</u>	<u>959,374</u>	<u>373,905</u>	<u>900,442</u>	<u>3,785,874</u>

9. Property, plant and equipment (continued)

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

10. Intangible assets

	Goodwill \$'000	Masterplan \$'000	Software \$'000	Total \$'000
Balance at 1 July 2023	667,700	1,798	923	670,421
Additions/(Disposals)	-	-	17	17
Amortisation charge	-	(207)	(239)	(446)
Net book value at 31 December 2023	667,700	1,591	701	669,992
Cost	667,700	2,074	33,344	703,118
Accumulated amortisation and impairment	-	(483)	(32,643)	(33,126)
Net book value at 31 December 2023	667,700	1,591	701	669,992
	Goodwill \$'000	Masterplan \$'000	Software \$'000	Total \$'000
Balance at 1 July 2022	667,700	1,026	3,596	672,322
Disposals	-	-	(5)	(5)
Additions	-	2,074	525	2,599
Amortisation charge	-	(1,302)	(3,193)	(4,495)
Net book value at 30 June 2023	667,700	1,798	923	670,421
Cost	667,700	2,074	33,327	703,101
Accumulated amortisation and impairment	-	(276)	(32,404)	(32,680)
Net book value at 30 June 2023	667,700	1,798	923	670,421

11. Payables

	31 December 2023 \$'000	30 June 2023 \$'000
Current liabilities		
Trade and other payables (i)	78,456	69,047
GST payable	1,151	2,160
Accrual for assets under construction	57,110	56,271
Intercompany payables	47,586	48,233
	<u>184,303</u>	<u>175,711</u>
Interest payable to: (ii)		
- Secured debt - bank (ii)	<u>26,777</u>	<u>36,737</u>
	<u>211,080</u>	<u>212,448</u>
Non-current liabilities		
Other non-current liabilities	<u>1,250</u>	<u>1,250</u>

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

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

12. Borrowings

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

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

	Drawn (\$'000) Dec 23	Undrawn (\$'000) Dec 23	Drawn (\$'000) Jun 23	Undrawn (\$'000) Jun 23
Drawn and undrawn				
Unsecured bank overdraft	-	21,696	-	22,066
Secured term bank debt	1,300,000	-	1,300,000	-
Secured bank facilities	270,000	1,130,000	-	1,740,000
Total bank debt	1,570,000	1,151,696	1,300,000	1,762,066
Secured capital markets debt	3,525,609	-	4,501,606	-
Total borrowings (face value)	5,095,609	1,151,696	5,801,606	1,762,066

			Principle Original Currency \$'000	Drawn Face Value (i) (AUD) \$'000	Carrying Dec 23 \$'000	Amount (ii) Jun 23 \$'000
	Maturity	Currency				
Capital Markets Debt						
USPP	15-Sep-23	USD	200,000	-	-	301,659
EMTN (iii)	26-Sep-23	EUR	550,000	-	-	901,787
EMTN	15-Oct-24	EUR	350,000	505,051	566,251	573,865
AMTN	11-Nov-25	AUD	120,000	120,000	120,000	120,000
USPP	15-Sep-26	USD	200,000	191,077	292,397	301,659
AMTN	4-Nov-26	AUD	200,000	200,000	200,000	200,000
USPP	15-Jan-28	AUD	50,000	50,000	50,000	50,000
EMTN	27-Sep-30	NOK	1,500,000	242,994	216,506	209,418
AMTN	25-Nov-31	AUD	700,000	700,000	700,000	700,000
USPP (iii)	4-Dec-31	USD	105,000	151,844	153,509	158,371
EMTN (iii)	24-May-33	EUR	500,000	812,799	808,931	819,807
USPP	4-Dec-34	USD	105,000	151,844	153,509	158,371
USPP	4-Dec-39	AUD	150,000	150,000	150,000	150,000
USPP	4-Dec-44	AUD	250,000	250,000	250,000	250,000
Total capital markets debt				3,525,609	3,661,103	4,894,937
Bilateral Facility (iv)	8-Apr-26	AUD		200,000	200,000	-
Term Bank Debt	16-Jun-26	AUD		200,000	200,000	200,000
Syndicated facility (v)	23-Aug-26	AUD		70,000	70,000	-
Term Bank Debt	13-Sep-27	AUD		292,000	292,000	292,000
Term Bank Debt	16-Jun-29	AUD		300,000	300,000	300,000
Term Bank Debt	13-Sep-29	AUD		508,000	508,000	508,000
Total Bank Debt				1,570,000	1,570,000	1,300,000
Fair Value adjustments				-	(286)	(33,052)
Deferred upfront borrowing costs				-	(38,321)	(37,021)
Total Net Borrowings				5,095,609	5,192,496	6,124,864

12. Borrowings (continued)

- (i) Face values of foreign debt shown reflect the AUD value of the hedged principal amount at inception of the debt.
(ii) Carrying amounts of foreign debt reflect revalued debt in AUD at spot rates as at 31 December 2023 and 30 June 2023, as applicable.
(iii) Excludes fair value adjustments.
(iv) During August 2023, Australia Pacific Airports (Melbourne) Pty Ltd cancelled \$600 million of bilateral facilities maturing by the end of 2025. The remaining bilateral facility has a limit of \$200 million and was fully drawn at 31 December 2023.
(v) During August 2023, Australia Pacific Airports (Melbourne) Pty Ltd refinanced the existing \$940 million syndicated bank facility, replacing the existing facility with \$1.2 billion of syndicated bank facilities. The new syndicated facility is split across two \$600 million tranches maturing in August 2026 and August 2028.
(vi) Free funds from operations / debt, calculated as operating cashflows adjusted for capitalised interest divided by net debt (face value debt less cash), for the 12 months to 31 December 2023 was 10.5%.

13. Derivative financial instruments

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

	Current Dec 23 \$'000	Non-current Dec 23 \$'000	Total Dec 23 \$'000	Current Jun 23 \$'000	Non-Current Jun 23 \$'000	Total Jun 23 \$'000
Assets						
Cross currency swaps	51,025	119,886	170,911	221,170	174,707	395,877
Interest rate swaps	-	18,338	18,338	1,976	30,246	32,222
Swaption	-	-	-	-	5,987	5,987
	<u>51,025</u>	<u>138,224</u>	<u>189,249</u>	<u>223,146</u>	<u>210,940</u>	<u>434,086</u>
Liabilities						
Cross country swaps	-	(49,551)	(49,551)	-	(53,117)	(53,117)
Interest rate swaps	-	-	-	(264)	-	(264)
Swaption	-	-	-	-	(711)	(711)
	<u>-</u>	<u>(49,551)</u>	<u>(49,551)</u>	<u>(264)</u>	<u>(53,828)</u>	<u>(54,092)</u>
Net derivative position assets/ (liabilities)	<u>51,025</u>	<u>88,673</u>	<u>139,698</u>	<u>222,882</u>	<u>157,112</u>	<u>379,994</u>

14. Hedging reserves

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

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

15. Commitments for expenditure

	31 December 2023 \$'000	30 June 2023 \$'000
Commitments for expenditure		
Not longer than 1 year	599,313	427,935
Longer than 1 year but not longer than 5 years	<u>472,711</u>	<u>365,853</u>
Total Property, plant and equipment commitments	<u>1,072,024</u>	<u>793,788</u>

16. Notes to the Statement of Cash Flows

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

(a) Reconciliation of cash

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

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

	31 December 2023 \$'000	31 December 2022 \$'000
Profit after income tax expense for the period	123,415	58,229
Adjustments for:		
Net profit on sale of non-current assets	-	(23)
Amortisation of deferred borrowing costs	7,264	4,201
Hedge reserve unwind	18,578	21,355
Depreciation and amortisation of non-current assets	114,400	117,365
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	48,705	17,525
(Increase)/decrease in other assets	(3,296)	(173)
(Increase)/decrease in accrued revenue	(46,765)	(41,951)
Increase/(decrease) in trade payables	6,161	19,695
Increase/(decrease) in interest payables	(9,960)	10,287
Increase in deferred tax liabilities	42,459	25,861
Increase/(decrease) in tax payable	14,416	105
Increase/(decrease) in employee provisions	(4,180)	(2,704)
Increase/(decrease) in unearned revenue	(3,761)	(12,009)
Net cash from operating activities	<u>307,436</u>	<u>217,763</u>

17. Events after the reporting period

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