

**Final Statutory
Accounts for the year
ended 30 June 2014**

Australia Pacific Airports Corporation Limited

Directors' Report

The Directors of Australia Pacific Airports Corporation Limited ("APAC" or the "Company") ACN 069 775 266 submit herewith the annual report of the Company for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

<i>Name</i>	<i>Appointment</i>
-------------	--------------------

Continuing

Mr D. Crawford	Chairman - Appointed 30 April 2012
Mr C. Woodruff	Managing Director and Chief Executive Officer - Appointed 31 August 2007
Mr K. Mangini	Appointed 16 October 2009
Ms N. Lennie	Appointed 20 January 2011
Mr J. Harvey	Appointed 2 May 2011, Resigned 15 February 2013, Re-appointed 25 March 2013
Mr J. Garcia	Appointed 21 October 2011 (as alternate for Mr K. Mangini)
Ms M. Beltran	Appointed 17 August 2012
Mr S. Davies	Appointed 16 May 2013 & 21 June 2013 (as alternate for Ms. M Beltran & Mr. B Hynes)
Mr B. Hynes	Appointed 21 June 2013
Mr N. Maruf	Appointed 5 March 2014
Mr A. Barlass	Appointed 5 March 2014 (as alternate for Mr. N. Maruf)

Not Continuing

Mr R. Hedley	Resigned 5 March 2014
Mr N. Maruf	Revoked 5 March 2014 (as alternate for Mr R. Hedley)

The above named Directors held office during and since the end of the financial year, except as stated above.

Particulars of the Directors of the Company during and since the end of the financial year are set out in Appendix 1 which forms part of the Director's Report.

Australia Pacific Airports Corporation Limited

Directors' meetings

The following table sets out the number of Board and Committee meetings held during the financial year, and the number of meetings attended by each Director whilst they were a Director or member of the relevant Committee. During the financial year, the total number of meetings held was 12 Board meetings, 3 Audit and Risk Management Committee meetings, 17 Finance and Project Committee meetings and 4 Remuneration Committee meetings.

Directors	Board of Directors		Audit and Risk Management		Finance and Projects		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Continuing								
Mr D. Crawford	12	12	3	3	-	-	4	4
Mr C. Woodruff	12	12	3	3	17	14	4	4
Mr K. Mangini	12	9	3	2	1	1	4	4
- Mr J. Garcia (alt)	1	1	1	1	-	-	-	-
Ms N. Lennie	12	11	3	2	17	17	1	1
Mr J. Harvey	12	10	3	3	-	-	-	-
Ms M. Beltran	12	12	3	3	17	15	4	4
Mr B. Hynes	12	11	3	3	-	-	-	-
Mr N. Maruf	5	4	-	-	5	4	-	-
- Mr A. Barlass (alt)	1	1	-	-	1	1	1	1
Not continuing								
Mr R. Hedley	8	7	3	3	12	12	-	-

Company Secretary	Board of Directors		Audit and Risk Management		Finance and Projects		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Continuing								
Ms L. Evans	12	12	3	3	17	15	4	0

Principal activities

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

Review of operations

The Consolidated Entity had recorded revenue of \$712,584,000 (2013: \$648,723,000) and operating expenses of \$179,708,000 (2013: \$171,781,000) resulting in earnings before investment property gains, borrowing costs, tax, depreciation and amortisation of \$532,876,000 (2013: \$476,942,000) for the year ended 30 June 2014.

Changes in fair value of investment property gave rise to a noncash loss of \$27,077,000 (2013: gain \$43,871,000) which resulted in earnings before borrowing costs, tax, depreciation & amortisation of \$505,799,000 (2013: \$520,813,000).

Depreciation and amortisation expense was \$90,275,000 (2013: \$84,054,000) and total borrowing costs were \$154,880,000 (2013: \$141,364,000) giving a profit before income tax of \$260,644,000 (2013: \$295,395,000) and profit after income tax of \$182,196,000 (2013: profit after tax \$206,540,000).

Dividends

The Directors declared a final dividend for the year ended 30 June 2013 of \$79,127,000 (0.67cents per share) paid on 15 December 2013 and an interim dividend for the year ended 30 June 2014 of \$88,575,000 (0.75 cents per share) paid on 14 March 2014.

The Directors declared a final dividend on the 28 August 2014 of \$79,127,000 (0.67 cents per share) to be paid on the 25 September 2014.

Australia Pacific Airports Corporation Limited

Directors' Report

Changes in state of affairs

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

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments

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

Environmental regulations

In relation to environmental matters, the Consolidated Entity is subject to the Airports Act 1996 ("the Act") and the Airports (Environmental Protection) Regulations 1997 ("the Regulations"). The Board is satisfied that the results of environmental monitoring conducted by internal and external specialists during the year ended 30 June 2014 demonstrate compliance with the Act and the Regulations. The Consolidated Entity has not been subject to any prosecutions, notices or orders under the Act or Regulations during the year ended 30 June 2014.

In addition to other environmental regulations, APAC and its subsidiaries operate under the Act and the Regulations and as part of compliance with this legislation, each Airport prepares an annual report on environmental performance which can be obtained by contacting APAC or the individual airports.

Indemnification of officers and auditors

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

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

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

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

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

Rounding off of amounts

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

Australia Pacific Airports Corporation Limited

Directors' Report

Corporate governance

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

Board of Directors

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

The primary responsibilities of the Board include:

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

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

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

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

Separate charters, agenda and minutes are maintained for each of the three Committees, and auditors and other external advisors regularly participate in meetings.

Audit & Risk Management Committee

Although discrete Audit and Risk Management Committee meetings are convened, membership of the Committee comprises all Directors of the Board. The Board has resolved that in future years, the Committee will be comprised of three non-executive Directors, commencing from the August 2014 Committee meeting. The Audit and Risk Management Committee meetings provide a separate forum for the review of:

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

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

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

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

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

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

Australia Pacific Airports Corporation Limited

Directors' Report

Finance and Projects Committee

The Finance and Projects Committee is comprised of three non-executive Directors and meets at least six times per year. Its focus is on the financial arrangements of the Company, including:

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

The Finance and Projects Committee is also charged with reviewing and reporting to the Board on any large scale projects which the Company intends to embark on including Company growth projects, and capital projects of a value which exceeds the authority delegated to the Chief Executive Officer. Except in the case of projects delegated by the Board to the Committee for review and approve, the Committee has no delegated authority of its own.

Remuneration Committee

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

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

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

Auditor's Independence Declaration

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

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

On behalf of the Directors



Mr D. Crawford AO

Chairman

MELBOURNE

28 August 2014



Mr C. Woodruff

Managing Director

MELBOURNE

28 August 2014

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

28 August 2014

Dear Board Members,

Auditors Independence Declaration - Australia Pacific Airports Corporation Limited

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

As lead audit partner for the audit of the financial statements of Australia Pacific Airports Corporation Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



S Pelusi
Partner
Chartered Accountants

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

We have audited the accompanying financial report of Australia Pacific Airports Corporation Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 44.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Australia Pacific Airports Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



S Pelusi
Partner
Chartered Accountants
Melbourne, 28 August 2014

Australia Pacific Airports Corporation Limited

Directors' Declaration

The Directors declare that:

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

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

On behalf of the Directors



Mr D. Crawford AO

Chairman

MELBOURNE

28 August 2014



Mr C. Woodruff

Managing Director

MELBOURNE

28 August 2014

Australia Pacific Airports Corporation Limited

Statement of Profit or Loss and other Comprehensive Income for the financial year ended 30 June 2014

	Note	Consolidated 2014 \$'000	2013 ⁽ⁱ⁾ \$'000
Revenue		712,584	648,723
Less: operating costs			
Staff costs		40,415	36,800
Service and utilities costs		101,090	95,080
Maintenance costs		19,379	18,455
Administration and marketing costs		7,366	10,538
Other costs		11,458	10,908
Operating profit		532,876	476,942
Add/(less)			
Change in fair value of investment property		(27,077)	43,871
Profit before borrowing costs, depreciation and amortisation		505,799	520,813
Less:			
Depreciation and amortisation expense		90,275	84,054
Borrowing costs		154,880	141,364
Profit before income tax expense	3a	260,644	295,395
Less:			
Income tax expense	3a	78,448	88,855
Profit for the year		182,196	206,540
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges, net of income tax	23	(48,992)	69,752
Total comprehensive income for the year		133,204	276,292
Profit for the year attributable to the owners of the Company		182,196	206,540
Total comprehensive income attributable to the owners of the Company		133,204	276,292

⁽ⁱ⁾ Adjusted consolidated statement of profit or loss and other comprehensive income. (Refer note 1(u))

Australia Pacific Airports Corporation Limited

Statement of Financial Position as at 30 June 2014

	Note	Consolidated 2014 \$'000	2013 ⁽ⁱ⁾ \$'000
<i>Current assets</i>			
Cash at bank	28(a)	73,762	3,854
Inventories	5	152	184
Receivables	6	57,865	43,365
Other current assets	7	1,814	266
<i>Total current assets</i>		133,593	47,669
<i>Non-current assets</i>			
Property, plant and equipment	8	1,904,936	1,545,508
Investment property	9	1,076,388	1,085,917
Intangible assets	10	673,878	673,638
Financial assets	11	67,702	43,431
Other non-current assets	12	38,523	32,049
<i>Total non-current assets</i>		3,761,427	3,380,543
<i>Total assets</i>		3,895,020	3,428,212
<i>Current liabilities</i>			
Borrowings	13	99,300	-
Payables	14	128,055	87,672
Current tax liabilities	3	9,421	19,132
Provisions	15	5,445	5,592
Financial liabilities	16	1,325	8,018
<i>Total current liabilities</i>		243,546	120,414
<i>Non-current liabilities</i>			
Borrowings	17	2,402,905	2,025,173
Payables	18	1,202	1,202
Deferred tax liabilities	3	394,233	401,940
Provisions	19	1,815	1,520
Financial liabilities	16	47,344	39,407
Other liabilities	20	4,332	4,415
<i>Total non-current liabilities</i>		2,851,831	2,473,657
<i>Total liabilities</i>		3,095,377	2,594,071
<i>Net assets</i>		799,643	834,141
<i>Equity</i>			
Issued capital	22	118,100	118,100
Reserves	23	(40,072)	8,920
Retained earnings	24	721,615	707,121
<i>Total equity</i>		799,643	834,141

(i) Adjusted consolidated statement of financial performance. (Refer note 1(u))

Notes to the financial statements are included on pages 14 to 42

Australia Pacific Airports Corporation Limited

Statement of Changes in Equity for the financial year ended 30 June 2014

	Consolidated			
	Issued Capital	Hedging Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2012	118,100	(60,832)	631,128	688,396
Restatement (note 1)	-	-	17,905	17,905
Balance as at 1 July 2012	118,100	(60,832)	649,033	706,301
<i>Comprehensive income:</i>				
Profit for the period	-	-	206,540	206,540
<i>Other comprehensive income:</i>				
Changes in the fair value of cash flow hedges, net of income tax	-	69,752	-	69,752
Total comprehensive income for the year attributable to the owners of the Company (net of income tax)	-	69,752	206,540	276,292
<i>Transactions with owners:</i>				
Dividend paid	-	-	(148,452)	(148,452)
Balance at 30 June 2013	118,100	8,920	707,121	834,141
<i>Comprehensive income:</i>				
Profit for the year	-	-	182,196	182,196
<i>Other comprehensive income:</i>				
Changes in the fair value of cash flow hedges, net of income tax	-	(48,992)	-	(48,992)
Total comprehensive income for the year attributable to the owners of the Company (net of income tax)	-	(48,992)	182,196	133,204
<i>Transactions with owners:</i>				
Dividend paid	-	-	(167,702)	(167,702)
Balance at 30 June 2014	118,100	(40,072)	721,615	799,643

Australia Pacific Airports Corporation Limited

Statement of Cash Flows for the financial year ended 30 June 2014

	Note	Consolidated 2014 \$'000	2013 \$'000
<i>Cash flows from operating activities</i>			
Receipts from customers		758,861	695,591
Payments to suppliers and employees		(246,161)	(233,694)
Income tax paid		(74,871)	(60,531)
Interest received		6,485	468
Interest paid		(164,742)	(146,553)
Net cash provided by operating activities	28(c)	279,572	255,281
<i>Cash flows from investing activities</i>			
Payment for property, plant and equipment		(402,493)	(205,017)
Proceeds from sale of property, plant and equipment		142	101
Payment for investment property		(17,548)	(49,369)
Payment for intangible assets		(701)	(2,211)
Net cash used in investing activities		(420,600)	(256,496)
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		785,729	578,000
Repayment of borrowings		(390,000)	(425,000)
Payment for debt issue costs		(17,091)	(2,526)
Dividend paid	30	(167,702)	(148,452)
Net cash provided by/ (used in) financing activities		210,936	2,022
Net increase in cash		69,908	807
Cash at the beginning of the financial year		3,854	3,047
Cash at the end of the financial year	28(a)	73,762	3,854

Notes to the financial statements are included on pages 14 to 42

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. Summary of accounting policies

Statement of compliance

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

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

The financial statements were authorised for issue by the Directors on 28 August 2014.

Basis of preparation

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

Going concern

As at 30 June 2014, the Consolidated Entity has a deficiency in net current assets of \$109,953,000 (2013: \$72,745,000). Despite the deficiency in net current assets as at 30 June 2014, the Directors are of the view that the Consolidated Entity is a going concern due to the long history of profitability, unused finance facilities of \$1,139,200,000 (2013: \$486,500,000), forecast positive cash flows and the strong net asset position.

As at 30 June 2014, the Company has net current assets of \$20,180,000 (2013: \$20,135,000).

Rounding off of amounts

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

Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (listed in note 26) as at 30 June 2014 and the results of all subsidiaries for the year then ended. The accounting policies of the subsidiaries are consistent with the Consolidated Entity's accounting policies.

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

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

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

(b) Cash

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

(c) Inventories

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

(d) Receivables

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. Summary of accounting policies (cont'd)

(e) *Property, plant and equipment*

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

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

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

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

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

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

(f) *Investment Property*

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

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

(g) *Goodwill*

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

(h) *Impairment of assets*

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

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

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

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. Summary of accounting policies (cont'd)

(i) Capitalised borrowing costs

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

(j) Investments

Investments in controlled entities are recorded at cost.

(k) Payables

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

(l) Borrowings

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

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

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

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

(m) Provisions

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

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

(n) Superannuation

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

(o) Employee benefits

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

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

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

(p) Revenue recognition

Aeronautical revenue

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

Security revenue

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. Summary of accounting policies (cont'd)

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

Retail revenue

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

Property revenue

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

(a) Investment Property Revenue

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

(b) Other property revenue

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

Outgoings/Recharge

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

Dividend income

Dividend income is recognised when declared.

Interest income

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

Other income

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

(q) *Goods and services tax*

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

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

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

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

(r) *Derivative financial instruments*

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

Further details of derivative financial instruments are disclosed in Note 29 to the financial statements.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. Summary of accounting policies (cont'd)

(s) *Income tax*

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Tax consolidation

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

(t) *Fair value*

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. Summary of accounting policies (cont'd)

(u) *Adjustment of Asset Lease Premium and Property Revenue*

Management undertook a detailed assessment of all material historical operating leases during the financial year ended 30 June 2014 to ensure they complied with AASB 117 Leases. This standard requires fixed price rate increases and lease incentives to be recognized on a straight line basis over the life of the lease. The review highlighted that, in prior periods, the Consolidated Entity, had consistently but incorrectly recorded such items as they occurred rather than on a straight line basis over the life of the lease.

The Consolidated Entity amended its accounting policy to reflect the above.

As a result of this amendment to the accounting policy, the Consolidated Entity was required to adjust related balances in prior periods.

	30 June 2013 Reported \$'000	1 July 2013 Opening adjustment \$'000	FY13 Adjustment \$'000	30 June 2013 Adjusted \$'000	FY14 adjustment \$'000	30 June 2014 Reported \$'000
Balance sheet:						
Other non-current assets	-	25,579	6,470	32,049	6,474	38,523
Deferred tax liability	392,325	7,674	1,941	401,940	1,941	394,233
Retained earnings	684,687	17,905	4,529	707,121	4,533	721,615
Net assets	811,707	17,905	4,529	834,141	4,533	799,643
Profit or loss:						
Investment property and other property revenue (note 2)	71,284	n/a	6,470	77,754	6,474	86,595
Profit for the year (after tax)	202,011	n/a	4,529	206,540	4,533	182,196

(v) *Adoption of new and revised Accounting Standards*

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

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

The following standards and amendments applied for first time in the current period, having an effective date commencing on 1 January 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. Summary of accounting policies (cont'd)

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

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. Each is effective for annual reporting periods commencing 1 January 2014 with the exception of AASB 9 which is effective from 1 January 2018:

- AASB 9 Financial Instruments, and the relevant amending standards
- AASB 1031 Materiality (2013)
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), effective 1 January 2014
- IFRS 15 Revenue from Contracts with Customers issued in May 2014, effective 1 January 2017.

The potential effect of the revised Standards/ Interpretations on the Company's financial statements has not yet been determined.

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

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

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

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

Investment Property

Investment properties were valued at 30 June 2014 by third party valuer Jones Lang LaSalle (see note 9). When determining fair value, assumptions must be made about the yield which the investment property will generate in the future, including the outcome of future rent reviews, the rent which will be achieved for sites not yet tenanted, and future rental income growth. A suitable discount rate to calculate present value must also be selected.

Impairment of goodwill

Determining whether goodwill is impaired requires an annual estimation of the value in use (or fair value less costs to dispose) of the cash generating units to which goodwill has been allocated. The value in use calculation is used by the Company and requires the directors to estimate the future cash flows expected to arise from the cash generating unit and application of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating units, in order to calculate present value. These calculations require the use of assumptions and the application of sensitivity analysis where appropriate (see note 10).

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

1. Summary of accounting policies (cont'd)

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

The carrying amount of goodwill at 30 June 2014 was \$671,866,000 (2013: \$671,866,000). There was no impairment loss.

Useful lives of property, plant and equipment

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

Deferred taxation on investment properties

Provisions for tax contingencies require management to make judgments and estimates in relation to tax issues and exposures. For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Consolidated Entity has not recognised any deferred taxes on changes in fair value of investment properties as the Consolidated Entity is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probably that the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Fair value of derivative financial instruments

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014	2013 ⁽ⁱ⁾
	\$'000	\$'000
2. Profit for the year		
(a) Revenue		
Revenue consisted of the following items:		
Aeronautical revenue	279,834	252,093
Security revenue	34,774	33,284
Retail revenue	273,145	256,812
Investment property revenue	65,061	58,701
Other property revenue	21,534	19,053
Outgoings/recharge	28,176	26,700
Interest revenue from other entities	6,485	468
Other income	3,468	1,512
	712,477	648,623
Net profit on sale of fixed assets	107	100
Total revenue	712,584	648,723
(b) Investment property increase/(decrease) in fair value	(27,077)	43,871
(c) Profit for the year has been derived after charging the following expenses:		
Employee benefits expense – superannuation contributions	4,157	3,341
Net bad and doubtful debts arising from other entities	35	110
Borrowing costs:		
Interest		
– Secured debt – other entities	164,863	146,734
– Unsecured debt – other entities	444	375
– Interest capitalised during the year (note 21)	(16,287)	(9,524)
– Amortisation of deferred borrowing costs (note 17)	5,380	2,908
– Finance charges	480	871
Total borrowing costs	154,880	141,364
Depreciation of property, plant and equipment	89,814	83,615
Amortisation of other intangible assets	461	439
Depreciation and Amortisation	90,275	84,054

(i) Adjusted lease premium within total revenue. (Refer note 1)

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014	2013 ⁽ⁱ⁾
	\$'000	\$'000
3. Income tax		
(a) Income tax recognised in profit		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	260,644	295,395
Income tax expense calculated at 30%	78,193	88,618
Permanent differences:		
Non-deductible expenses	193	189
Non-deductible depreciation	62	48
Under/(over) provision of income tax in previous year	-	-
Income tax expense	78,448	88,855
Income tax expense comprises of:		
Current tax expense/(benefit)	65,208	68,728
Deferred tax expense/(benefit)	13,240	20,127
Income tax expense	78,448	88,855
<i>(i) Adjusted income tax expense. (Refer note 1(u))</i>		
The Directors of Australia Pacific Airports Corporation Limited (head entity) have elected for those entities within the consolidated group that are wholly-owned Australian resident entities to be taxed as single entity from 1 July 2003. Accordingly, the Company became part of a tax consolidated group with effect from 1 July 2003.		
Entities within the tax consolidated group have entered into a tax sharing agreement with the head entity. Under the terms of this agreement, Australia Pacific Airports Corporation Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net profit or loss of the entity and the current tax rate.		
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.		
(b) Current tax liabilities		
Income tax payable	9,421	19,132
(c) Deferred tax liabilities		
Balance at beginning of period	401,940	344,244
Adjusted balance (Note 1(u))	-	9,615
Temporary differences	(7,707)	48,081
Balance at the end of the period	394,233	401,940

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

3. Income tax (cont'd)

(d) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	Consolidated			
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2013				
Gross deferred tax liabilities:				
Property, plant and equipment	191,032	30,811	-	221,843
Investment property	183,039	(3,962)	-	179,077
Other	1,588	1,308	-	2,896
	375,659	28,157	-	403,816
Gross deferred tax assets:				
Provisions and accruals	3,217	815	-	4,032
Unearned income	1,599	(115)	-	1,484
Other	527	(345)	-	182
Hedge	26,072	-	(29,894)	(3,822)
	31,415	355	(29,894)	1,876
Net deferred tax liability	344,244	27,802	29,894	401,940
2014				
Gross deferred tax liabilities:				
Property, plant and equipment	221,843	5,523	-	227,366
Investment property	179,077	9,785	-	188,862
Other	2,896	664	-	3,560
	403,816	15,972	-	419,788
Gross deferred tax assets:				
Provisions and accruals	4,032	1,203	-	5,235
Unearned income	1,484	1,555	-	3,039
Other	182	(76)	-	106
Hedge	(3,822)	-	20,997	17,175
	1,876	2,682	(20,997)	25,555
Net deferred tax liability	401,940	13,290	(20,997)	394,233

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated 2014 \$	2013 \$
4. Remuneration of auditors		
Auditor of the Company		
<i>Deloitte Touche Tohmatsu</i>		
Auditing the financial report – statutory	215,340	197,400
Reviewing the half-year report	64,130	45,000
Auditing of regulatory accounts and compliance items	62,230	59,220
Tax compliance and other tax advice	78,015	42,050
Assistance with EMTN issuance	202,000	-
	621,715	343,670
	2014 \$'000	2013 \$'000
5. Inventories		
Materials and stores (at cost)	152	184
6. Current receivables		
Trade receivables (i)	57,403	43,365
GST Receivable	462	-
Less: Provision for doubtful debts	-	-
	57,865	43,365
(i) Revenue is invoiced on 30 day terms, with the exception of property and rental revenue which is invoiced in advance. Most agreements allow for interest to be charged on overdue balances between 1.5% and 2.0% above overdraft rates. The average payment period is 5 days outside the standard payment terms.		
The Consolidated Entity has an allowance for doubtful debts to the credit quality of the trade receivable. This is calculated from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited, due to the spread and quality of the customers.		
Included in the Consolidated Entity's trade receivable balance are debtors with a carrying amount of \$3,694,000 (2013: \$2,589,000), which were overdue as at the reporting date and of which the Consolidated Entity has impaired Nil (2013: Nil) as there may be no change in credit quality and the Company believes that the net amount is considered recoverable.		
Receivables from entities within the wholly owned group include amounts from operating and from the group's tax funding arrangement.		
The Consolidated Entity and the Company do hold bank guarantees in respect of some receivables but the amounts are not material.		
7. Other current assets		
Prepayments	1,814	266

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

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

An independent valuation of certain assets was completed at 30 June 2012. Leasehold land, buildings, roads and runways and other infrastructure were valued by Mr Gary Longden FAPI of the firm Jones Lang LaSalle. The valuation was based on depreciated replacement value. The Directors have adopted a cost approach in the accounts. If the valuation had been booked the carrying values would have been \$150,800,000 for leasehold land, \$487,700,000 for buildings and \$855,300,000 for roads, runways and infrastructure as at 30 June 2012. The valuation did not include any allowance for capital gains tax that may arise on disposal.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

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

	Consolidated					
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount – at cost						
Balance at 30 June 2012	67,362	586,304	784,555	369,265	105,802	1,913,288
Additions	-	-	-	-	228,249	228,249
Disposals	-	(596)	(1,201)	(11,070)	-	(12,867)
Transfers (to) / from Investment Property	17,105	-	-	-	-	17,105
Transfers to / (from) assets under construction	16	47,872	61,422	37,876	(147,186)	-
Balance at 30 June 2013	84,483	633,580	844,776	396,071	186,865	2,145,775
Accumulated depreciation/ amortisation						
Balance at 30 June 2012	9,195	157,437	188,064	174,206	-	528,902
Depreciation and amortisation expense	828	24,705	26,024	32,058	-	83,615
Disposals	-	(401)	(793)	(11,056)	-	(12,250)
Transfers (to) / from Investment Property	-	-	-	-	-	-
Transfers to / (from) assets under construction	-	-	-	-	-	-
Balance at 30 June 2013	10,023	181,741	213,295	195,208	-	600,267
Net book value as at 30 June 2013	74,460	451,839	631,481	200,863	186,865	1,545,508

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014	2013
	\$'000	\$'000
9. Investment property		
Balance at beginning of financial year	1,085,917	1,009,782
Additions for the year	17,548	49,369
Transfer (to)/from property, plant and equipment	-	(17,105)
Net gain/(loss) from fair value adjustment	(27,077)	43,871
Balance at end of financial year	1,076,388	1,085,917

The fair value of the investment property as at 30 June 2014 and 30 June 2013 has been arrived at on the basis of a valuation carried out on the respective dates by Mr. Peter Fay AAPI in 2014 and Mr. Martin Reynolds AAPI in 2013 of the firm Jones Lang LaSalle. Mr. Fay is an independent valuer, a member of the Institute of Valuers of Australia and has appropriate qualifications and extensive experience of valuing property for the Consolidated Entity.

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

Unobservable inputs include:

- A discount rate ranging from 8.75% to 9.25%;
- A terminal yield taking into account management's experience and knowledge of market conditions ranging from 7% to 9%; and
- Industrial and retail rental growth rates, taking into account management's experience and knowledge of market conditions ranging from 1.0% to 3.5%.

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

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

In accordance with contract terms outgoings are fully recoverable by the Consolidated Entity.

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

The Consolidated Entity provided investment property (along with land and buildings in note 8) as security for loans as disclosed in note 17.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014	2013
	\$'000	\$'000
10. Intangible assets		
Goodwill (i)	671,866	671,866
Masterplan (ii)	2,012	1,772
	673,878	673,638

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

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

The recoverable amount of the cash generating units is determined by a 'fair value less cost to sell' calculation using a discounted cash flow analysis.

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

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

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

Cash flows were discounted using a cost of equity as the cash flows are based on distributions to investors. In estimating individual components of the cost of equity, the Consolidated Entity has taken into account historical and related market data. A pre-tax discount rate in the range of 11.0% to 11.9% per annum was used (2013: 11.3% to 12.2%). The discounted cash flows are particularly sensitive to cost of equity, inflation and debt margins. Reasonable possible changes in these assumptions would not result in an impairment loss.

(ii) **Masterplan**

Gross carrying amount – at cost

Balance at 1 July	2,211	-
Additions	701	2,211
Balance at 30 June	2,912	2,211
Accumulated amortisation		
Balance at 1 July	(439)	-
Amortisation expense	(461)	(439)
Balance at 30 June	(900)	(439)
Net book value at 30 June	2,012	1,772

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014	2013
	\$'000	\$'000
11. Financial assets		
Cross currency interest rate swaps	67,702	43,431
12. Other non-current assets		
<i>Deferred operating lease income:</i>		
Balance at beginning of period	32,049	-
Adjusted balance (Note 1(u))	-	25,579
Accrual for the year	6,474	6,470
Balance at the end of the year	38,523	32,049
13. Current borrowings		
<i>Secured:</i>		
Senior bank debt (i)	100,000	-
Deferred borrowing costs	(700)	-
	99,300	-
(i) Secured by a fixed and floating charge over the Consolidated Entity's assets. Security given is all the assets of the operating companies. There have been no defaults on loans payable during the current or prior years.		
14. Current payables		
Trade payables (i)	96,601	60,582
Goods and services tax payable	20	1,767
Other payables (ii)	5,797	731
	102,418	63,080
Interest payable to:		
- Secured debt – bank (iii)	25,262	24,254
- Unearned revenue	375	338
	25,637	24,592
	128,055	87,672
(i) The average credit period for purchases and services was 31 days. No interest is charged on trade payables.		
(ii) The credit period for services for non trade payables to other related parties was 90 days. No interest is charged on non trade payables to other related parties.		
(iii) Secured by a fixed and floating charge over the Consolidated Entity's assets. Security given is all the assets of all operating companies. There have been no defaults on loans payable during the current or prior years.		
15. Current provisions		
Employee benefits	5,445	5,592
16. Financial liabilities		
Interest rate swaps:		
- Current	1,325	8,018
- Non-current	47,344	39,407

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014 \$'000	2013 \$'000
17. Non-current borrowings		
Secured:		
– Bank debt (i)	39,300	428,500
– Domestic Bonds (i)		
Fixed rate notes (6.5% 25 August 2014)	-	100,000
Fixed rate notes (6.0% 15 December 2015) (ii)	100,000	100,000
Variable rate notes (15 December 2015) (ii)	200,000	200,000
Fixed rate notes (7.0% 25 August 2016)	250,000	250,000
Fixed rate notes (5.0% 4 June 2020)	225,000	225,000
– US Private Placements (i)		
Fixed rate US \$200m (7.5% 15 September 2021) (iii)	191,077	191,077
Fixed rate US \$200m (7.4% 15 September 2023) (iii)	191,077	191,077
Fixed rate US \$200m (7.4% 15 September 2026) (iii)	191,077	191,077
Fixed rate (5.95% 15 January 2028)	50,000	50,000
Variable rate notes (15 November 2022)	125,000	125,000
– European Bond Private Placement		
Fixed rate (5.74% 26 September 2023)(iv)	784,929	-
	2,347,460	2,051,731
Exchange rate fluctuation (Fair value hedge)	76,283	(16,731)
	2,423,743	2,035,000
Deferred borrowing costs	(20,838)	(9,827)
	2,402,905	2,025,173
Amortisation of borrowings costs, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Amortisation of deferred borrowing costs	5,380	2,908

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

(ii) Debt subject to credit wrapping by MBIA Inc

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

(iv) Excludes cross currency swaps that convert Euro note €550m into AUD.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014 \$'000	2013 \$'000
18. Non-current payables		
Other payables	1,202	1,202
19. Non-current provisions		
Employee benefits	1,815	1,520
20. Other liabilities		
Unearned revenue	4,332	4,415
21. Capitalised interest charges		
Property, plant and equipment	16,043	7,734
Investment property	244	1,790
	16,287	9,524
Weighted average capitalisation rate on funds borrowed during the year was 7% (2013: 7%)		
22. Issued capital		
118,100,000 Ordinary shares – fully paid (2013: 118,100,000)	118,100	118,100
Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.		
Fully paid ordinary shares carry one vote per share and carry the right to dividends		
23. Reserves		
<i>Hedge reserves</i>		
Balance at beginning of financial year	8,920	(60,832)
Gains / (loss) recognised:		
Fair value adjustment	(69,989)	99,646
Deferred tax arising on hedges	20,997	(29,894)
Net movement for the year	(48,992)	69,752
Balance at end of financial year	(40,072)	8,920
The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction occurs.		

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014 \$'000	2013 \$'000
24. Retained earnings		
Balance at beginning of financial year	707,121	631,128
Adjustment (Note 1(u))	-	17,905
Balance at 1 July 2013 (adjusted)	707,121	649,033
Profit for the year	182,196	206,540
Dividends paid	(167,702)	(148,452)
Balance at end of financial year	721,615	707,121
25. Commitments for expenditure		
Capital expenditure commitments		
Property, plant and equipment		
Not longer than 1 year	604,149	198,687
Longer than 1 year but not longer than 5 years	15,407	-
	619,556	198,687

26. Subsidiaries

Name of entity		Country of incorporation	Ownership Interest	
			2014 %	2013 %
Parent entity				
Australia Pacific Airports Corporation Limited		Australia		
Subsidiaries				
APAC (Holdings No 2) Pty. Limited		Australia	100	100
– Australia Pacific Airports (Melbourne) Pty. Limited		Australia	100	100
Australia Pacific Airports (Property) Pty. Limited	(i) (ii)	Australia	100	100
APAC (Holdings) Pty. Limited	(i)	Australia	100	100
– Australia Pacific Airports (Launceston) Pty. Limited	(i)	Australia	100	100

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

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

27. Related party disclosures

(a) *Equity interests in related parties*

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 26 to the financial statements.

(b) *Key management personnel compensation*

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

The key management personnel during the year were, Mr D.Crawford, Mr C.Woodruff, Mr A.Watson, Ms L.Evans, Ms C.Newsome, Mr L.Horton, Mr S.Gandy, Mr N.Agnew, Mr B. Thompson, Ms C. Dixon, Ms P. Graham, Mr P. Hodgen, Mr D. Cappell, Mr A. Gardiner

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	5,374,957	6,184,222
Long-term incentives	1,307,750	96,598
	6,682,707	6,280,820

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

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

During the financial year APAC provided operational administration services at cost to other entities in the wholly-owned group of \$555,449 (2013: \$556,678), which were recorded against intercompany loans and eliminated on consolidation.

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

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

28. Notes to the Cash Flow Statement

(a) *Reconciliation of cash*

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

– Cash at bank	73,762	3,854
----------------	--------	-------

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014 \$'000	2013 \$'000
28. Notes to the Cash Flow Statement (cont'd)		
<i>(b) Financing facilities</i>		
Secured bank overdraft facility reviewed annually (i):		
• Amount used	-	-
• Amount unused	18,500	10,000
<i>(i) Secured by a fixed and floating charge over the Consolidated Entity's assets.</i>		
Secured bank bill facility reviewed annually:		
• Amount used	-	-
• Amount unused	-	10,000
Secured loan facilities with various maturity dates through to October 2014 and which may be extended by mutual agreement:		
• Amount used	39,300	428,500
• Amount unused	1,120,700	466,500
Secured bond issued and credit wrapped by MBIA Insurance Corporation:		
• Due 15 December 2015 – fixed (ii)	100,000	100,000
• Due 15 December 2015 – floating (ii)	200,000	200,000
• Due 26 August 2014 – fixed	100,000	100,000
• Due 26 August 2016 – fixed	250,000	250,000
• Due 15 June 2020 - fixed	225,000	225,000
US Private Placement		
• US \$200m Due 15 September 2021 – fixed (i)	191,077	191,077
• US \$200m Due 15 September 2023 – fixed (i)	191,077	191,077
• US \$200m Due 15 September 2026 - fixed (i)	191,077	191,077
• Due 15 January 2028 – fixed	50,000	50,000
• Due 15 November 2022 – floating	125,000	125,000
European Bond Private Placements		
• Fixed rate (4.2% 26 September 2023) (iii)	784,929	-
<i>(i) Excludes cross currency swaps that convert the US private placement notes of US \$600m into AUD \$.</i>		
<i>(ii) Debt subject to credit wrapping by MBIA Inc.</i>		
<i>(iii) Excludes cross currency swaps that convert Euro Note €550m into AUD.</i>		

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

	Consolidated	
	2014 \$'000	2013 \$'000
28. Notes to the Cash Flow Statement (cont'd)		
<i>(c) Reconciliation of profit for the year to net cashflows from operating activities:</i>		
Profit for the year	182,196	206,540
Net loss/(profit) on sale of non-current assets	(100)	517
Loss/(gain) on investment property	27,077	(43,871)
Depreciation of property, plant and equipment	90,275	84,054
Amortisation of deferred borrowing costs	5,380	2,908
Capitalised interest during the year	(16,287)	(9,524)
Revenue reduction of lease premium (note 1)	(6,474)	(6,470)
Deferred tax liabilities	13,288	20,129
(Increase)/decrease in assets:		
Current receivables	(14,500)	(10,904)
Current inventories	32	62
Other current assets	(1,548)	119
Increase/(decrease) in liabilities:		
Current trade payables	8,834	2,111
Interest payable	1,045	1,427
Tax payable	(9,711)	8,196
Current provisions	(147)	274
Non current liabilities – other	(83)	(532)
Non current provisions	295	245
Net cash from operating activities	279,572	255,281

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

29. Financial instruments

(a) Capital risk management

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

The capital structure of the Consolidated Entity consists of debt, which includes the borrowings disclosed on Notes 12, and 16, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 22, 23 and 24 respectively.

The Consolidated Entity's overall strategy remains unchanged from 2013. During the financial period the Consolidated Entity has complied with all imposed capital requirements including bank covenants.

(b) Significant accounting policies

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

(c) Categories of Financial Instruments

	Consolidated	
	2014	2013
	\$'000	\$'000
Financial Assets		
Cash at Bank	73,762	3,854
Loans and receivables:		
Trade receivables	57,403	43,365
GST Receivable	462	-
Derivative instruments at fair value through other comprehensive income	67,702	43,431
Financial Liabilities		
Amortised cost:		
Bank overdraft	-	-
Trade payables	96,601	60,582
GST payable	20	1,767
Interest payable	25,637	24,592
Tax payable	9,421	19,132
Current interest rate swaps	1,325	8,018
Other current non trade payables	5,797	731
Borrowings	2,523,743	2,035,000
Non current payables	1,202	1,202
Non current interest rate swaps	47,344	39,407

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

29. Financial instruments (cont'd)

(d) Financial risk management objectives

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

(e) Interest rate risk management

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

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

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

(f) Interest rate sensitivity

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

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

- Net profit would increase/decrease by \$1,673,000 (2013: increase/decrease by \$621,000). This is due to interest rates on its variable rate borrowings.
- Other equity reserves would increase/decrease by \$7,484,000 (2013: increase/decrease \$6,418,000) mainly as a result of the changes in fair value of available for sale fixed rate instruments.

The Consolidated Entity has no material interest revenue.

(g) Interest rate swap contracts

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

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

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair Value of interest rate swaps	
	2014 %	2013 %	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Consolidated						
Less than 1 year	4.4	5.9	200,000	412,000	(1,325)	(8,252)
1 to 2 years	5.6	6.2	470,000	450,000	(18,437)	(29,716)
2 to 5 years	5.6	6.0	112,000	132,000	(6,879)	(9,416)
5 years +	6.6	-	324,000	-	(22,029)	-
			1,106,000	994,000	(48,670)	(47,384)

The fair value of these contracts as at 30 June 2014 is disclosed in Note 15, 19 and 23

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

29. Financial instruments (cont'd)

(h) Foreign currency risk management

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

(i) Foreign currency exchange contracts

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

	Average exchange rate		Foreign Currency		Notional principal amount		Fair Value of cross currency interest rate swaps	
	2014	2013	2014 FC'000	2013 FC'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Outstanding contracts								
Consolidated								
USD 5 years +	0.9185	1.0271	600,000	600,000	573,231	573,231	3,465	43,431
EUR 5 years +	0.7930	-	550,000	-	784,929	-	64,237	-
					1,358,160	573,231	67,702	43,431

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

(j) Liquidity risk

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

2014	Weighted average effective interest rate %	1-3 Months \$'000	3 Months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial Assets						
Current Receivables	-	57,865	-	-	-	57,865
Cash at Bank	-	73,762	-	-	-	73,762
Equity Instruments at fair value through other comprehensive income	-	-	-	-	67,702	67,702
		131,627	-	-	67,702	199,329
Financial liabilities						
Current trade payables	-	96,601	-	-	-	96,601
Other payables	-	5,797	-	-	-	5,797
Interest payable	-	25,637	-	-	-	25,637
Tax payable	-	9,421	-	-	-	9,421
Bank loans		-	-	39,300	-	39,300
– Fixed rate notes (25 August 2014)	6.5	100,000	-	-	-	100,000
– Fixed rate notes (15 December 2015)	6.0	-	-	100,000	-	100,000
– Variable rate notes (15 December 2015)	2.9	-	-	200,000	-	200,000
– Fixed rate notes (25 August 2016)	7.0	-	-	250,000	-	250,000
- Fixed rate notes (4 June 2020)	5.0	-	-	-	225,000	225,000
US Private Placement						
US \$200m Due 15 September 2021 – fixed (i)	7.5	-	-	-	191,077	191,077
US \$200m Due 15 September 2023 – fixed (i)	7.4	-	-	-	191,077	191,077
US \$200m Due 15 September 2026 – fixed (i)	7.4	-	-	-	191,077	191,077
Fixed rate (15 January 2028)	5.9	-	-	-	50,000	50,000
Variable rate (15 November 2022)	5.9	-	-	-	125,000	125,000
European Bond Private Placement						
Fixed rate (26 September 2023) (ii)	5.74	-	-	-	784,929	784,929
Interest rate swaps	-	-	1,325	47,344	-	48,669
		237,456	1,325	636,644	1,758,160	2,633,585

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

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

29. Financial instruments (cont'd)

(j) Liquidity risk (cont'd)

The following table details the Consolidated Entity's exposure to liquidity risk as at 30 June 2013.

2013	Weighted average effective interest rate %	1-3 Months \$'000	3 Months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial Assets						
Current Receivables	-	43,365	-	-	-	43,365
Cash at Bank	-	3,854	-	-	-	3,854
Equity Instruments at fair value through other comprehensive income	-	-	-	-	43,431	43,431
		47,219	-	-	43,431	90,650
Financial liabilities						
Current trade payables	-	63,080	-	-	-	63,080
Interest payable	-	24,592	-	-	-	24,592
Tax payable	-	-	19,132	-	-	19,132
Bank loans	5.1	-	-	428,500	-	428,500
– Fixed rate notes (26 August 2014)	6.5	-	-	100,000	-	100,000
– Fixed rate notes (15 December 2015)	6.0	-	-	100,000	-	100,000
– Variable rate notes (15 December 2015)	4.2	-	-	200,000	-	200,000
– Fixed rate notes (25 August 2016)	7.0	-	-	250,000	-	250,000
– Fixed rate notes (4 June 2020)	5.0	-	-	-	225,000	225,000
US Private Placement						
US \$200m Due 15 September 2021 – fixed (i)	7.5	-	-	-	191,077	191,077
US \$200m Due 15 September 2023 – fixed (i)	7.4	-	-	-	191,077	191,077
US \$200m Due 15 September 2026 - fixed (i)	7.4	-	-	-	191,077	191,077
Fixed rate (15 January 2028)	5.9	-	-	-	50,000	50,000
Variable rate (15 November 2022)	5.6	-	-	-	125,000	125,000
Interest rate swaps	-	-	8,018	39,407	-	47,425
		87,672	27,150	1,117,907	973,231	2,205,960

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

29. Financial instruments (cont'd)

(k) Credit risk management

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

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

(l) Fair value

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

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

Financial liabilities	Carrying amount \$'000		Net fair value \$'000	
	2014	2013	2014	2013
Borrowings – Other entities	8,432	8,290	1,202	1,202

The following tables present the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>Cross currency swaps</i>	-	67,702	-	67,702
Total assets	-	67,702	-	67,702
Liabilities				
<i>Interest rate swaps</i>	-	48,669	-	48,669
Total liabilities	-	48,669	-	48,669

There were no transfers between levels in the period.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

29. Financial instruments (cont'd)

(m) Liquidity risk management

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

	Consolidated	
	2014	2013
	\$'000	\$'000
30. Dividends		
Fully franked dividend paid during the financial year (refer to Director's Report for details) (2014: \$1.42 per share, 2013: \$1.26 per share)	167,702	148,452
Franking account	37,400	50,930
	Company	
	2014	2013
	\$'000	\$'000

31. Company disclosures

(a) Financial position:

Assets:

Current assets	29,601	39,267
Non-current assets	127,444	127,483
Total assets	157,045	166,750

Liabilities:

Current liabilities	9,421	19,132
Total liabilities	9,421	19,132

<i>Net Assets</i>	<i>147,624</i>	<i>147,618</i>
-------------------	----------------	----------------

Equity:

Issued capital	118,100	118,100
Retained earnings	29,524	29,518
Total equity	147,624	147,956

Financial performance:

(b) Profit for the year	167,697	148,443
Other comprehensive income		
Total comprehensive income	167,697	148,443

Non balance sheet commitments:

(c) Guarantees of debt	-	-
Contingent liabilities	-	-
Commitments for the acquisition of property, plant and equipment by the parent company	-	-

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2014

32. Subsequent events

The Directors declared a final dividend on the 28 August 2014 of \$79,127,000 (0.67 cents per share) to be paid on the 25 September 2014.

33. Additional Company Information

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

Principal Registered Office and Principal Place of Business
Level 2, Terminal 2
Melbourne Airport
(03) 9297 1600

Website: www.melbourneairport.com.au

Email: reception@melair.com.au

DAVID CRAWFORD AO

Chairman of the Board

David Crawford was appointed Chairman of APAC in April 2012.

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

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

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

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

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

CHRIS WOODRUFF

Managing Director and Chief Executive Officer

Chris was appointed a Director of APAC in August 2007.

Chris has over 25 years experience in the aviation industry having joined BAA in 1989 as a Retail Manager.

He has held a number of senior management positions within BAA, including Chief Executive Officer of Budapest Airport, Operations Director of Heathrow Airport, Retail Director of Gatwick and Heathrow Airports, Managing Director of World Duty Free Inflight and General Manager of Gatwick North Terminal. Prior to joining BAA, Chris worked for a UK retail company.

Chris is also on the Board of Melbourne Convention Bureau.

KYLE MANGINI

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

Kyle is the Global Head of Infrastructure at IFM Investors where he is responsible for managing all aspects of IFM Investors' \$15 billion infrastructure portfolio. Kyle is a member of IFM Investors' Investment Committee.

Kyle has over 20 years of experience in investment banking and asset management, including senior roles with Credit Suisse First Bank and SBC Warburg. He has infrastructure experience in Asia, Australia, Europe and North and South America. His relevant transaction experience includes the execution of mergers, acquisitions, divestitures, initial public offerings, public bond offerings, Rule 144A private placements, commercial bank facilities and derivatives. Kyle is a director of Pacific Hydro and a former director of Brisbane Airport and Darwin Airport.

NADINE LENNIE

Nadine Lennie was appointed a Director of APAC in January 2011.

Nadine is a Director of Infrastructure and Timberland at the Future Fund. Since joining the Future Fund in April 2008 she has been responsible for establishing the infrastructure investment program including developing a strategy, recruiting and managing an investment team and making a series of infrastructure and timberland investments.

Nadine has 20 years experience in the financial advisory and funds management sectors. Prior to joining the Future Fund, Nadine was an Investment Director with Hastings Funds Management where she was responsible for the Australian equity acquisition program. Prior to that she worked as a Director at PricewaterhouseCoopers where she assisted the various Australian State Governments establish their PPP policies and successfully acted as a financial adviser to both private and public sector participants in the PPP programs. Nadine also worked for Bankers Trust and Hambros Corporate Finance. She holds an economics degree majoring in Actuarial Studies.

JOHN HARVEY

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

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

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

MAR BELTRAN

Mar Beltran was appointed a Director of APAC in August 2012.

Mar Beltran leads a number of Portfolios within the AMP Capital Infrastructure team, she is involved across pooled institutional products, retail products and separate account mandates, as well as overseeing investment strategy and processes with respect to a number of customized accounts. Mar works closely with the broader global team to generate opportunities to package and deliver infrastructure investments to existing and new clients. Mar has more than 19 years of Infrastructure investment and asset management experience across transportation, energy and PPPs. She managed the PPP Community Infrastructure Fund in 2011 and was also responsible for the Core Infrastructure Fund from its launch until 2010. Prior to joining AMP Capital in 2006 she worked for Ferrovial Infrastructure. Previous Directorships include Reliance Rail, Sydney airport, the Ferrovial Investment Trust Board of Trustees and the Spanish Chamber of Commerce in Australia and Bristol airport in the UK.

Mar holds an Executive MBA from the Australian Graduate School of Management and has a Senior Aeronautical Engineering Degree from Madrid Polytechnic University in Spain. Mar is a member of the AMP Capital Diversity Advisory Committee.

BRYAN HYNES

Bryan Hynes was appointed a Director of APAC in June 2013.

Bryan is the Managing Director of AMP Capital Shopping Centres which operates one of the largest portfolios of shopping centres in Australia and New Zealand and is a key part of AMP Capital, which manages \$16.4 billion in real estate assets on behalf of its clients. Bryan is responsible for the Shopping Centre business from leading the senior management team, through to the portfolio strategy, implementation, asset management, leasing and development, including the delivery of a \$2.8 billion development pipeline currently underway.

Bryan has more than 20 years' experience working within the Australian and New Zealand shopping centre industry. Bryan joined AMP Capital Shopping Centres in 1999 and has held various senior management roles prior to his appointment to Managing Director in 2008. Previously Bryan was an Associate Director of Shopping Centre Management for Byvan. Bryan's experience includes the direct management of large portfolio of shopping centres, finance, consultancy in the development and planning of a large number of major retail projects.

Bryan Hynes is a CSMA, Grad Cert SCM, LREA, GAICD. Bryan is a Director of the Shopping Centre Council of Australia (SCCA), a member of the International Council of Shopping Centres (ICSC), Australian Institute of Company Directors (GAICD), and a member of the AMP Capital Investors' Property Leadership Team.

NADIR MARUF

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

Nadir is currently Head of Alternatives and Real Assets for Asia Pacific and CEO for Asset Management Australia. He is responsible for the management of the Infrastructure business in Asia Pacific, as well as the various Real Estate strategies which the platform operates throughout the various countries in the Asian region. Within the Deutsche Bank Group, he is also responsible for the Asset Management business in Australia.

Nadir has a background in infrastructure investment and prior to joining the Asia Pacific team as Head of Deutsche Asset & Wealth Management Infrastructure (formerly RREEF Infrastructure) Asia Pacific in February 2011, Nadir was a Managing Director in the Infrastructure team in Europe, based in London.

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

COMPANY SECRETARY

LISA EVANS

General Counsel and Company Secretary

Lisa joined APAC in March 2009 and was also appointed Company Secretary of APAC and its subsidiaries.

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

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