

Australia Pacific Airports Corporation Limited

ACN 069 775 266

Consolidated Financial Statements - 30 June 2023

Australia Pacific Airports Corporation Limited
Directors' report
30 June 2023

The Directors of Australia Pacific Airports Corporation Limited (the Company) and its controlled entities (the Group or APAC) present their report for the financial year ended 30 June 2023.

Principal activities

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

Review of operations

Twelve months of uninterrupted operations has resulted in a welcome return of confidence and stability in the aviation industry and a renewed sense of purpose for APAC and has seen the Group deliver a profit after tax of \$146.8 million. The result has been driven by recovery of passenger volumes with 32.1 million passengers travelling through Melbourne and Launceston Airports, an uplift of 18.4 million passengers from FY22 as domestic and international travel restrictions lifted.

At 30 June 23, domestic capacity is 94% and international 91% of pre-COVID levels. International capacity continues to trend upwards with strong passenger loads. The announcement of the removal of most travel restrictions with China in January 2023 has seen improved international capacity. Seven of eight Chinese carriers have returned with 73% capacity of pre-COVID levels to June 2023, one of the fastest recovery rates for the market.

Passenger recovery is being supported by strong business development and partnership with the Victorian Government, working with existing and new airline partners to increase route offerings.

International services saw new airlines in Air Asia X and VietJet choose Melbourne, with Thai Airlines and Garuda Airlines also returning to Melbourne Airport, increasing the reach into South-East Asia. Melbourne Airport also welcomed back United Airlines with daily flights to San Francisco and Los Angeles. Qantas commenced three-a-week flights to Dallas/Fort Worth with this hub offering over 200 connections across North America.

New domestic low-cost airline Bonza has chosen Melbourne as its secondary base of operations and commenced flights from Melbourne on 30 March 2023 servicing nine destination including the Sunshine Coast and eight regional locations not previously serviced by other airlines. Seven of its routes were not being serviced by other airlines.

Lorie Argus commenced as APAC's Chief Executive Officer (CEO) on 1 July 2022.

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The Groups' focus is its strategy to Grow, Delight and Inspire with key highlights for the year ended 30 June 2023:

- The Group finalised agreements with all key aviation partners on Aeronautical Service Agreements for the next three years, securing APAC's key revenue streams.
- In November, APAM's Master Development Plan was approved by the Federal Minister for Infrastructure, creating a clear pathway for the airport's long-term strategy. This is a vital step in securing Melbourne Airports future and an enabler for approval of the third runway.
- Finalisation of the duty-free tender saw eleven potential providers considered with Lotte Duty Free being awarded the contract. Lotte commenced operations on 1 June 2023.
- Retail strategy has seen the continuing redevelopment and refresh of stores across terminals with 14 new cafes and restaurants and 8 new retail offerings opened in FY23.
- Ground transport continues to see strong performance in car parking and car rental indicating a customer preference to 'private' vehicles versus public transport options. Additional value car parking was opened in December 2022 to satisfy peak demand over the holiday period and has continued through the year.
- Property continued its focus on the delivery of key projects with Honda and Seqirus/CSL infrastructure reaching completion in June 2023.
- APAM partnered with Foodbank, Victoria's largest food relief organisation, to provide resourcing over the next two years as part of the Group's Social Impact Days employee value proposition.
- Capital projects have continued in the period with key projects in delivery:
 - T3/T4 Link opened in August 2022, providing complete connectivity across all terminals, consolidating security screening and improving traveller experience.
 - The amenities program continued its staged rollout ensuring uniformity of facilities across the terminal precinct.
 - Terminal 1 retail development continues, delivering the uniquely Melbourne experience with St. Ali opening as the focal point in June 2023.
 - Elevated road stage 1 construction continued with a one-way elevated road providing direct connection from the Tullamarine Freeway to the T4 Transport Hub, reducing congestion during peak periods. The project opened in July 2023 with the road named Naarm Way.
 - The three-year Northern Infill Security Enhancement (NISE) project commenced, with works on stage one for security and next generation baggage equipment. Once completed this project also has the capability to deliver an improved baggage model and incremental capacity in this area.
 - Airfield maintenance programs have seen further investment in pavement infrastructure including a one in ten-year replacement of pavement on runway 16/34, requiring complex overnight closures through the course of the 11 month program of work.
- APAL commenced construction on the \$11 million Terminal Expansion and Security Enhancement Project, which is APAL's biggest infrastructure expansion in six years and is due for delivery in mid-FY24.

The Group's financial performance continues to improve reporting an Operating Profit of \$693.8 million (FY22: \$298.3 million).

APAC's balance sheet remains strong with \$2,760 million of liquidity at balance date including undrawn bank facilities of \$1,770 million and cash of \$990 million. The Group continued to access funding markets executing a new \$800 million EMTN bond and \$800 million term loan with existing and new term loan investors. The Group continues to be compliant with financial covenants for the period ended 30 June 2023.

Included in Note 4 of the financial report are details of a prior period restatement associated with straight line accounting for certain long-term ground lease contracts. The prior period error was identified on transition to a system-based lease accounting platform as part of the Group's finance transformation project (Project Catalyst), resulting in:

- a \$21.5 million increase in opening retained earnings as at 1 July 2021;
- a \$0.3 million reduction in net loss for the year ended 30 June 2022; and
- a \$31.1 million increase in accrued revenue and \$9.3 million increase in deferred tax liabilities as at 30 June 2022.

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Financial results:

The Group's continuing financial recovery is underpinned by strong passenger numbers with revenue increasing by \$503.9 million to \$1,042.8 million in FY23 delivering an operating profit of \$693.8 million.

Improving passenger numbers have positively impacted aeronautical, retail and ground transport revenues.

Aeronautical revenue increased \$250 million to \$432.7 million from improved passenger levels driven by stronger than expected international passengers due to the early return of the Chinese market, complemented by annual price increases.

Ground Transport revenue increased to \$228.8 million with car parking revenue and car rental driving the increase as mode share continues to favour 'private' transport options.

Retail revenue improved to \$128.9 million aligned with passenger recovery, reopening of stores and associated retail spend.

Property delivered \$122.5 million in revenue, remaining stable for the period.

Security costs and recoveries have increased in line with increase in passenger volumes, with charges based on a per passenger basis.

Costs excluding security passthrough, software as a service cost and the benefit arising from a reduction in the Group's expected credit loss provision were \$260.5 million, 43.7% higher than FY22, driven by increases in cleaning and operations cost aligned to the recovery of passenger volumes and maintenance required to return critical assets from hibernation.

Depreciation and amortisation have reduced as PPE and software assets unwind. Borrowing costs increased by \$72.3 million for FY23 as a result of increasing interest rates and additional debt offset by reduction on restructure of hedging trades. Interest income of \$12.3 million has increased due to cash on deposit increasing in the year.

Fair value of Investment property at 30 June resulted in a reduction in value of \$1.7 million largely due to the continuing pressure on market capitalisation rates offset by continuing strong rental yields and development profit from the completion of the Honda Warehouse in June 2023.

The Group generated a statutory profit before tax of \$209.1 million (FY22 loss \$30.7 million)

Significant changes in the state of affairs

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

Dividends

The Directors are proposing a dividend for the year ended 30 June 2023 of \$141,305,000 (\$1.19 per share) to be paid in October 2023 (2022: Nil).

Events occurring after balance sheet date

During August 2023, Melbourne Airport refinanced the existing \$940 million syndicated bank facility, replacing the existing facility with \$1.2 billion of syndicated bank facilities. The new syndicated facility is split across two tranches maturing in August 2026 and August 2028. Aligned to the establishment of the facilities, Melbourne Airport cancelled \$600 million of Bilateral facilities maturing by 2025.

The Group retains a total \$1.465 billion of bank debt facilities of which \$1.2 billion is a syndicated facility and \$200 million an existing Bilateral facility maturing in April 2026, both facilities are undrawn. These facilities along with the \$990 million of cash available are sufficient to meet forward commitments.

Except as disclosed above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Directors

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

Peter Hay
Chair

Mr Hay has a strong background and breadth of experience in business, corporate law, finance and investment banking advisory work, with particular expertise in relation to mergers and acquisitions. He has also had significant involvement in advising governments and government-owned enterprises. Peter's board experience spans mining and resources, manufacturing, retail, property, and financial services. He is currently Chairman of Mutual Trust. He is a former Director on the boards of Newcrest Mining, Vicinity Centres, GUD Holdings, Novion, Myer, ANZ Bank, and Alumina.

Michael Cummings
Director and Chair of Remuneration Committee

Mr Cummings is the Head of Funds – Infrastructure at AMP Capital Investors for Australia and New Zealand. In addition to APAC, Mr Cummings is on the board of Powerco NZ, and is Alternate Director on Interlink (M5 Toll Road) and Evergen Pty Ltd. Mr Cummings has over 26 years of international experience in the infrastructure sector – having held senior executive positions in a number of major energy infrastructure companies.

Samantha Lewis
Director and Chair of Audit Risk & Finance Committee

Ms Lewis is a full time Non-Executive Director. In addition to APAC, Ms Lewis is a Non-Executive Director and Chairman of the Audit Governance & Risk Management Committee at Aurizon Holdings Limited, a Non-Executive Director and Chairman of the Audit & Compliance Committee of Orora Limited and a Non-Executive Director and Chairman of the Audit & Risk Committee of Nine Entertainment Co. Holdings Limited. Previously, Ms Lewis was an Assurance & Advisory partner from 2000 to 2014 with Deloitte Australia. Ms Lewis has extensive financial experience, including as a lead auditor of several major Australian listed entities and has significant experience working with companies in the manufacturing, consumer business and energy sectors. In addition to external audits, Ms Lewis provided accounting and transactional advisory services to other major organisations in Australia.

Danny Elia
Director

Mr Elia is the Global Head of Asset Management at IFM Investors where he is responsible for driving IFM Infrastructure's asset management strategy across the Australian and Global Infrastructure funds. Previous roles include CEO of South Australian Health Partnerships, Director of Public Private Partnerships for Leighton Contractors, General Manager of Transurban Victoria and Finance Director of Linfox Logistics Asia Pacific. Mr Elia is currently a Director on the board of Committee for Melbourne.

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James Fraser-Smith
Director

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

Raphael Arndt
Director

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

Talieh Williams
Director

Ms Williams is a senior sustainable investment and ESG executive, having led the investment stewardship teams at both the Victorian Funds Management Corporation and UniSuper. Ms Williams has also worked in sustainability consulting, the oil industry and commercial legal practice. Ms Williams is a Trustee Director at the Shrine of Remembrance, sits on the Climate Bonds Standards Board and has previously been a director of the Australian Council of Super Investors, the Responsible Investment Association of Australasia and the Investor Group on Climate Change. Ms Williams holds a Master of Social Science (International Development), a Bachelor of Laws (Honours) and a Bachelor of Planning and Design (Urban Design).

David Dowling
Director

Mr Dowling is the Managing Director Airports at AMP Capital. In this role, he is responsible for the management of AMP Capital's Australian airport investments. Prior to joining AMP Capital, Mr Dowling worked at Sydney Airport, MAp Airports and Macquarie Capital. He holds a Bachelor of Commerce from the University of Melbourne and a Bachelor of Laws from the University of Sydney and is a graduate of the Australian Institute of Company Directors. Mr Dowling is currently a Director of Port Hedland International Airport.

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board		Remuneration Committee		Audit, Risk and Finance Committee	
	Held	Attended	Held	Attended	Held	Attended
Peter Hay	8	8	4	4	4	4
Raphael Arndt	8	6	-	-	-	-
David Dowling	8	8	-	-	4	4
Michael Cummings	8	6	4	4	-	-
<i>Alternate - Daniel Fitzpatrick</i>	1	1	-	-	-	-
Danny Elia	8	8	4	4	-	-
James Fraser-Smith	8	8	4	4	-	-
Talieh Williams	8	7	4	4	4	4
Samantha Lewis	7	7	-	-	3	3

Those attended by the Company Secretary were:

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

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Future developments

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

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

The plans include details of APAM's plan to build a third runway with the community invited to provide feedback during the exhibition period.

Environmental regulation

In relation to environmental matters, the Group is subject to the Airports Act 1996 (Cth) ("the Act") and the Airports (Environment Protection) Regulations 1997 ("the Regulations"). The Group is satisfied that the results of environmental monitoring conducted by internal and external specialists during the year ended 30 June 2023 demonstrate compliance with the Act and the Regulations in all material respects.

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

Indemnity and insurance of officers and auditors

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

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

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

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

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

Auditor's independence

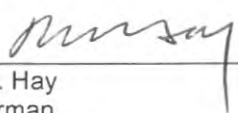
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Rounding of amounts

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

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

On behalf of the Directors


Mr P. Hay
Chairman

31 August 2023
Melbourne

31 August 2023

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

Dear Board Members,

Auditor's Independence Declaration

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

As lead audit partner for the audit of the financial report of Australia Pacific Airports Corporation Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

Australia Pacific Airports Corporation Limited
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General information

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

Australia Pacific Airports Corporation Limited ACN 069 775 266 is an unlisted public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 August 2023.

Australia Pacific Airports Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 \$'000	2022 Restated \$'000
Revenue			
Aeronautical		432,689	182,770
Security	6	75,276	49,362
Retail		128,879	38,808
Ground Transport		228,824	112,587
Property		122,476	119,617
Outgoings/recharges		48,911	31,612
Other income		5,730	4,020
Profit on sale of property, plant and equipment		31	106
Total revenue		<u>1,042,816</u>	<u>538,882</u>
Expenses			
Staff costs		(73,038)	(62,386)
Security	6	(73,297)	(44,471)
Services and utilities		(108,243)	(80,378)
Maintenance costs		(28,964)	(20,745)
Administration and marketing costs		(18,094)	(9,103)
Other costs		(32,163)	(8,650)
Software as a Service expense		(15,895)	(21,924)
Allowance for expected credit losses - reversal		678	7,078
Total expenses		<u>(349,016)</u>	<u>(240,579)</u>
Operating Profit		693,800	298,303
Change in fair value of investment property	12	(1,707)	119,276
Borrowing costs	5	(253,551)	(181,227)
Interest income		12,323	25
Depreciation, amortisation and impairment losses	5	<u>(241,812)</u>	<u>(267,110)</u>
Profit/(loss) before income tax (expense)/benefit		209,053	(30,733)
Income tax (expense)/benefit	7	<u>(62,244)</u>	<u>10,563</u>
Profit/(loss) after income tax (expense)/benefit for the year		146,809	(20,170)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		<u>12,473</u>	<u>104,024</u>
Other comprehensive income for the year, net of tax		<u>12,473</u>	<u>104,024</u>
Total comprehensive income for the year		<u><u>159,282</u></u>	<u><u>83,854</u></u>

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

Australia Pacific Airports Corporation Limited
Consolidated statement of financial position
As at 30 June 2023

	Note	2023 \$'000	2022 Restated \$'000
Assets			
Current assets			
Cash and cash equivalents		989,623	53,445
Trade and other receivables	8	139,757	80,086
Derivative financial instruments	16	223,146	-
Income tax receivable		21	-
Accrued revenue	4,9	41,360	25,790
Other assets	10	48,994	13,309
Total current assets		<u>1,442,901</u>	<u>172,630</u>
Non-current assets			
Property, plant and equipment	11	3,610,925	3,444,310
Investment properties	12	2,299,918	2,199,574
Intangible assets	13	675,017	677,001
Derivative financial instruments	16	210,940	307,208
Accrued revenue	4,9	162,893	169,141
Other assets	10	2,048	2,057
Total non-current assets		<u>6,961,741</u>	<u>6,799,291</u>
Total assets		<u>8,404,642</u>	<u>6,971,921</u>
Liabilities			
Current liabilities			
Payables	14	166,319	81,995
Borrowings	15	1,197,293	374,873
Employee benefit provisions		23,457	22,633
Derivative financial instruments	16	264	-
Lease liabilities	18	1,287	1,287
Unearned income		11,238	19,809
Total current liabilities		<u>1,399,858</u>	<u>500,597</u>
Non-current liabilities			
Payables	14	2,452	3,702
Borrowings	15	4,962,225	4,684,575
Deferred tax liability	4,7	676,891	609,280
Employee benefit provisions		1,903	1,811
Derivative financial instruments	16	53,828	40,359
Lease liabilities	18	2,447	3,127
Unearned income		22,442	5,156
Total non-current liabilities		<u>5,722,188</u>	<u>5,348,010</u>
Total liabilities		<u>7,122,046</u>	<u>5,848,607</u>
Net assets		<u>1,282,596</u>	<u>1,123,314</u>
Equity			
Issued capital	20	118,100	118,100
Hedging reserves	21	(23,298)	(35,771)
Retained profits	4	1,187,794	1,040,985
Total equity		<u>1,282,596</u>	<u>1,123,314</u>

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

Australia Pacific Airports Corporation Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	118,100	(139,795)	1,039,614	1,017,919
Adjustment for correction of error (Note 4)	-	-	21,541	21,541
Balance at 1 July 2021 - restated	118,100	(139,795)	1,061,155	1,039,460
Loss after income tax benefit for the year	-	-	(20,170)	(20,170)
Other comprehensive income for the year, net of tax	-	104,024	-	104,024
Total comprehensive profit/(loss) for the year	-	104,024	(20,170)	83,854
Balance at 30 June 2022	<u>118,100</u>	<u>(35,771)</u>	<u>1,040,985</u>	<u>1,123,314</u>
	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	118,100	(35,771)	1,040,985	1,123,314
Profit after income tax expense for the year	-	-	146,809	146,809
Other comprehensive income for the year, net of tax	-	12,473	-	12,473
Total comprehensive income for the year	-	12,473	146,809	159,282
Balance at 30 June 2023	<u>118,100</u>	<u>(23,298)</u>	<u>1,187,794</u>	<u>1,282,596</u>

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

Australia Pacific Airports Corporation Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		1,093,263	573,615
Payments to suppliers and employees		(403,534)	(296,475)
Payments for Software as a Service		(16,224)	(22,862)
Interest received		5,573	25
Interest paid		(199,297)	(113,162)
Income tax (refund)/paid		-	(21)
Net cash from operating activities	25	<u>479,781</u>	<u>141,120</u>
Cash flows from investing activities			
Payments for investment property		(102,051)	(19,612)
Payments for property, plant and equipment		(405,052)	(214,052)
Payments for intangibles		(2,595)	(405)
Proceeds from disposal of property, plant and equipment		31	106
Net cash used in investing activities		<u>(509,667)</u>	<u>(233,963)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,612,799	1,211,500
Repayment of borrowings		(621,000)	(1,027,877)
Payment for hedging restructure		-	(65,853)
Repayment of lease liabilities		(680)	(649)
Payment for debt issue costs		(25,055)	(3,019)
Net cash from financing activities		<u>966,064</u>	<u>114,102</u>
Net increase in cash and cash equivalents		936,178	21,259
Cash and cash equivalents at the beginning of the financial year		<u>53,445</u>	<u>32,186</u>
Cash and cash equivalents at the end of the financial year		<u><u>989,623</u></u>	<u><u>53,445</u></u>

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

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2023

1. Basis of preparation

Statement of compliance

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

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

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

The financial statements have been prepared under the historical cost convention, except for measurement of investment properties and derivative financial instruments, which are measured at fair value through profit or loss or other comprehensive income, as described in Note 12 and Note 16.

The financial statements were authorised for issue by the Directors on 31 August 2023.

Rounding of amounts

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

Net Current Asset Position

The Group was in a net current asset position of \$43 million at 30 June 2023 (30 June 2022: net current liabilities \$329 million), principally due to cash being held to meet the current borrowings of \$1.2 billion maturing in September-23.

Available liquidity as at 30 June 2023 in the form of cash and cash equivalent was \$990 million and undrawn bank facilities were \$1,770 million (30 June 2022: \$1,778 million).

During August 2023, Melbourne Airport refinanced the existing \$940 million syndicated bank facility, replacing the existing facility with \$1.2 billion of syndicated bank facilities. The new syndicated facility is split across two tranches maturing in August 2026 and August 2028. Aligned to the establishment of the facilities, Melbourne Airport cancelled \$600 million of Bilateral facilities maturing by 2025.

The Group retains a total \$1.465 billion of bank debt facilities of which \$1.2 billion is a syndicated facility and \$200m an existing Bilateral facility maturing in April 2026, both facilities are undrawn. These facilities along with the \$990 million of cash available are sufficient to meet forward commitments.

The Directors continually monitor the Group's working capital position and capital commitments with reference to the Group's existing debt facilities and available liquidity and are satisfied that the Group will be able to pay its debts as and when they fall due. As a result, the financial statements have been approved on a going concern basis.

2. Significant accounting policies

Revenue

Revenue from contracts with customers

Aeronautical revenue

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

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

Aeronautical revenues are billed on a monthly basis.

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

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

Security recovery revenues

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

Security recovery revenues are billed on a monthly basis.

Ground Transport revenues

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

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

Retail revenues

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

Property revenues

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and interpretations did not have a material impact on the financial performance or position of the Group.

2. Significant accounting policies (continued)

Standards in issue not yet effective

AASB 2022-6 specified that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

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

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

AASB 2022-5 Amendments to Australian Accounting standards – Lease Liability in a Sale and Leaseback. Effective date: 1 January 2024

The Group acknowledges the International Sustainability Standards Board has recently published climate related disclosure standards noting:

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

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

Notwithstanding that the standards are not yet mandatory for adoption for the financial period ended 30 June 2023, the Group has acknowledged the demand for sustainability related disclosures and has considered the potential impacts of sustainability related matters.

There are no current significant financial risks to the statement of financial position. However, the Group is continuing to assess the potential that long term risks of climate change, future climate events, legislation and reporting requirements may adversely impact the value of assets both tangible and intangible. Inability to satisfy reporting or covenant conditions may impact the availability of funding or the cost of available funding.

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

3. Critical accounting judgements, estimates and assumptions

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

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

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

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

Key sources of estimation uncertainty

- Allowance for expected credit losses (Note 8)
- Fair value of investment properties (Note 12)
- Impairment of goodwill (Note 13)
- Fair value of derivative financial instruments (Note 16)

4. Restatement of comparatives

The Group identified a prior period error associated with straight line accounting for certain long term ground lease contracts, which has been corrected retrospectively via a prior period restatement. The prior period error was identified on transition to a system-based lease accounting platform as part of the Group's finance transformation project (Project Catalyst), resulting in:

- a \$21.5 million increase in opening retained earnings as at 1 July 2021;
- a \$0.3 million reduction in net loss for the year ended 30 June 2022; and
- a \$31.1 million increase in accrued revenue and \$9.4m increase in deferred tax liabilities as at 30 June 2022

The comparative information in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position has been restated to retrospectively account for the impact of the prior period error as summarised below.

There is no cash impact arising from the prior period error.

	30 June 2022 Reported	Adjustment	30 June 2022 Restated
	\$'000	\$'000	\$'000
Consolidated statement of profit or loss and other comprehensive income			
Property Revenue	119,212	405	119,617
Profit/ (loss) before income tax	(31,138)	405	(30,733)
Income tax benefit	10,684	(121)	10,563
Net impact on loss for the period	(20,454)	284	(20,170)
	30 June 2022 Reported	Adjustment	30 June 2022 Restated
	\$'000	\$'000	\$'000
Extract of key line items affected by the prior period restatement			
Statement of financial position			
Current assets			
Accrued revenue	24,852	938	25,790
	24,852	938	25,790
Non-current assets			
Accrued revenue	138,902	30,239	169,141
Non-current liabilities			
Deferred tax liability	(599,927)	(9,353)	(609,280)
Net assets	1,101,490	21,824	1,123,314
Retained profit	1,019,161	21,824	1,040,985
Total equity	1,101,490	21,824	1,123,314

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5. Profit for the year

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

	2023 \$'000	2022 \$'000
Employee benefits expense - superannuation contributions	5,749	5,006
Depreciation, amortisation and impairment losses		
Depreciation on property plant and equipment	237,229	257,344
Amortisation on intangible assets	4,578	8,279
Impairment of assets under construction	5	1,487
	<u>241,812</u>	<u>267,110</u>
Borrowing costs:		
Interest:		
- Secured debt	229,375	117,589
- Interest capitalised during the period	(16,626)	(5,261)
- Amortisation of deferred borrowing costs	10,325	7,244
Hedge reserve unwind	29,266	60,116
Interest - Lease liabilities	607	531
Other finance costs	604	1,008
	<u>253,551</u>	<u>181,227</u>
Total borrowing costs		

6. Security

	2023 \$'000	2022 \$'000
Security revenue	75,276	49,362
Security costs	(73,297)	(44,471)
Security depreciation and other costs	(1,979)	(4,891)
	<u>-</u>	<u>-</u>

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

7. Income tax

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

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

When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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7. Income tax (continued)

(a) Income tax recognised in profit

	2023 \$'000	2022 Restated \$'000
Income tax expense comprises of:		
Deferred tax expense/ (benefit)	63,466	(9,059)
Current tax in respect of prior years	(21)	-
Deferred tax in respect of prior years	(1,201)	(1,504)
Aggregate income tax expense/ (benefit)	62,244	(10,563)

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

Profit/ (loss) before income tax expense	209,053	(30,733)
Tax at the statutory tax rate of 30% (2022: 30%)	62,716	(9,220)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	-	-
Non-deductible expenses	750	161
Deferred tax in respect of prior years	(1,201)	(1,504)
Current tax in respect of prior years	(21)	-
Income tax expense/ (benefit)	62,244	(10,563)

(b) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

2023

	Opening balance 1 July 2022 \$'000	Consolidated Charged to income \$'000	Charged to equity \$'000	Closing balance 30 June 2023 \$'000
Gross deferred tax liabilities:				
Property, plant & equipment	(169,674)	7,951	-	(161,696)
Accrued revenue	(47,265)	(3,660)	-	(50,925)
Investment property	(521,520)	(6,459)	-	(527,979)
Other assets	(1,520)	180	-	(1,340)
	(739,979)	(1,961)	-	(741,940)
Gross deferred tax assets:				
Provisions & accruals	9,365	(1,193)	-	8,172
Unearned income	(5)	9,547	-	9,542
Hedge reserve	15,352	(2,864)	(5,345)	7,143
Tax losses	105,951	(65,795)	-	40,156
Other	36	-	-	36
	130,699	(60,305)	(5,345)	65,049
Net deferred tax liability	(609,280)	(62,293)	(5,345)	(676,891)

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7. Income tax (continued)

2022 - Restated

	Consolidated		
	Opening Balance 1 July 2021 \$'000	Charged to income \$'000	Charged to equity \$'000
			Closing balance 30 June 2022 \$'000
Gross deferred tax liabilities:			
Property, plant & equipment	(185,005)	15,331	-
Accrued revenue	(48,069)	804	-
Investment property	(484,435)	(37,085)	-
Other assets	(3,000)	1,480	-
Deferred borrowing costs	(1,174)	1,174	-
	<u>(721,683)</u>	<u>(18,296)</u>	<u>-</u>
			<u>(739,979)</u>
Gross deferred tax assets:			
Provisions & accruals	6,440	2,925	-
Unearned income	1,125	(1,130)	-
Hedge reserve	59,913	-	(44,562)
Tax losses	78,920	27,031	-
Other	4	33	-
	<u>146,402</u>	<u>28,859</u>	<u>(44,562)</u>
			<u>130,699</u>
Net deferred tax liability	<u>(575,281)</u>	<u>10,563</u>	<u>(44,562)</u>
			<u>(609,280)</u>

8. Trade and other receivables

	2023 \$'000	2022 \$'000
Trade and other receivables	141,223	82,294
Less: Allowance for expected credit losses	<u>(1,466)</u>	<u>(2,208)</u>
Net trade and other receivables	<u>139,757</u>	<u>80,086</u>
Total trade and other receivables	<u>139,757</u>	<u>80,086</u>

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

Allowance for expected credit losses

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

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

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

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8. Trade and other receivables (continued)

	Carrying amount 2023 \$'000	Carrying amount 2022 \$'000	Allowance for expected credit losses 2023 \$'000	Allowance for expected credit losses 2022 \$'000
Not overdue	134,524	59,233	-	480
31 - 60 Days	5,136	16,185	-	147
61 - 90 Days	65	2,166	-	103
> 90 Days	1,498	4,710	1,466	1,478
	<u>141,223</u>	<u>82,294</u>	<u>1,466</u>	<u>2,208</u>

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

	2023 \$'000	2022 \$'000
Opening balance	2,208	2,769
Receivables written off during the year as uncollectable	(64)	(218)
Unused amounts reversed	(678)	(343)
Closing balance	<u>1,466</u>	<u>2,208</u>

9. Accrued revenue

	2023 \$'000	2022 Restated \$'000
<i>Current:</i>		
Straight line leases	10,731	9,417
Other accrued revenue	28,629	14,373
Accrued rebates	2,000	2,000
Total current	<u>41,360</u>	<u>25,790</u>
<i>Non-current:</i>		
Straight line leases	160,170	164,418
Accrued rebates	2,723	4,723
Total non-current	<u>162,893</u>	<u>169,141</u>

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

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

Please refer to Note 4 for details relating to the prior period restatement of straight-line lease balances.

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10. Other assets

	2023	2022
	\$'000	\$'000
<i>Current assets</i>		
Prepayments	48,079	12,753
Bond	846	460
Other current assets	69	96
Total current	<u>48,994</u>	<u>13,309</u>
<i>Non-current assets</i>		
Other non-current assets	<u>2,048</u>	<u>2,057</u>
	<u><u>51,042</u></u>	<u><u>15,366</u></u>

11. Property, plant and equipment

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

(i) Transfer due to change in asset groups arises from migration of assets from old Dynamics 365 to new Dynamics 365 under Project Catalyst with improved disaggregation of assets.

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11. Property, plant and equipment (continued)

	Leasehold land \$'000	Buildings and services \$'000	Roads, runways & infrastructure \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
2022						
Gross carrying amount						
Balance at 1 July 2021	244,800	2,482,647	1,488,456	892,970	342,157	5,451,030
Additions	-	-	-	-	195,294	195,294
Disposals	-	-	-	(21)	-	(21)
Impairment	-	-	-	-	(1,487)	(1,487)
Transfers to/(from) assets under construction	-	19,246	55,732	22,495	(97,473)	-
Balance at 30 June 2022	244,800	2,501,893	1,544,188	915,444	438,491	5,644,816
Accumulated depreciation						
Balance at 1 July 2021	(22,302)	(836,212)	(463,347)	(621,301)	-	(1,943,162)
Depreciation expense	(2,589)	(140,395)	(58,080)	(56,280)	-	(257,344)
Balance at 30 June 2022	(24,891)	(976,607)	(521,427)	(677,581)	-	(2,200,506)
Net book value at 30 June 2022	219,909	1,525,286	1,022,761	237,863	438,491	3,444,310

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

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

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

12. Investment properties

The Group classifies certain areas of the Airport precinct as investment property as they are held for rental income. These areas include Melbourne Airport Business Park, Hotels, Industrial Buildings and Vacant Land. The Group provide investment properties (along with land and buildings in Note 11) as security for loans as disclosed in note 15.

The profit for the year includes a loss on revaluation of investment properties of \$1.7 million, driven by the completion of developments in the Melbourne Airport Business Park, reduction in capitalisation rates in the industrial sector, rental growth and an increase in the value of developable land.

	2023 \$'000	2022 \$'000
Balance at beginning of the period	2,199,574	2,060,686
Additions for the period (at cost)	102,051	19,612
Net (loss)/ gain from fair value adjustments for the year	(1,707)	119,276
Balance at end of the period	2,299,918	2,199,574

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

12. Investment properties (continued)

Valuation of investment properties

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

The investment properties held by the Group are held on a leasehold basis (99 year lease, with 73 years remaining as at 30 June 2023). Taking this into consideration, each investment property has been valued by the external valuer as follows:

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

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

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

Key inputs and sensitivities

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

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

- Capitalisation rates ranging from 4.50% to 7.05%
- Discount rates ranging from 6.5% to 8%
- Terminal yields ranging from 4.94% to 7.55% and
- Market rental growth rates ranging from 2.50% to 3.40%

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

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13. Intangible assets

	Goodwill	Masterplan	Software	Total
	\$'000	\$'000	\$'000	\$'000
2023				
Net book value				
Balance at 1 July 2022	671,866	1,539	3,596	677,001
Disposal	-	-	(4)	(4)
Additions	-	2,073	525	2,598
Amortisation charge	-	(1,384)	(3,194)	(4,578)
	<u>671,866</u>	<u>2,228</u>	<u>923</u>	<u>675,017</u>
Cost	671,866	2,504	33,327	707,697
Accumulated amortisation and impairment	-	(276)	(32,404)	(32,680)
Net book value at 30 June 2023	<u>671,866</u>	<u>2,228</u>	<u>923</u>	<u>675,017</u>
	Goodwill	Masterplan	Software	Total
	\$'000	\$'000	\$'000	\$'000
2022				
Net book value				
Balance at 1 July 2021	671,866	2,394	10,615	684,875
Disposal	-	(46)	-	(46)
Additions	-	-	450	450
Amortisation charge	-	(809)	(7,469)	(8,278)
	<u>671,866</u>	<u>1,539</u>	<u>3,596</u>	<u>677,001</u>
Cost	671,866	4,186	32,806	708,858
Accumulated amortisation and impairment	-	(2,647)	(29,210)	(31,857)
Net book value at 30 June 2022	<u>671,866</u>	<u>1,539</u>	<u>3,596</u>	<u>677,001</u>

Critical accounting estimates and judgements - impairment of goodwill

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

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

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

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

Post-tax cash flows are discounted to their present value using a post-tax discount rate of 9.85%. The discount rate used reflects current market assessment of the time value of money and the risks specific to the cash generating unit.

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13. Intangible assets (continued)

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

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

Accounting policy for Master Plan intangible asset

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

Software

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

Software-as-a-Service (SaaS) arrangements

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

14. Payables

	2023 \$'000	2022 \$'000
Current liabilities		
Trade and other payables (i)	70,888	40,771
GST payable	2,258	1,211
Accrual for assets under construction	56,271	17,774
	<u>129,417</u>	<u>59,756</u>
Interest payable to:		
- Secured debt - bank (ii)	36,902	22,239
	<u>166,319</u>	<u>81,995</u>
	2023 \$'000	2022 \$'000
Non-current liabilities		
Undistributed capital note liability (iii)	1,202	1,202
Other non-current liabilities	1,250	2,500
	<u>2,452</u>	<u>3,702</u>

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

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

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

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15. Borrowings

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

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

	Face value (i)			
	Drawn (\$'000) 2023	Undrawn (\$'000) 2023	Drawn (\$'000) 2022	Undrawn (\$'000) 2022
Drawn and undrawn				
Unsecured bank overdraft	-	22,066	-	21,627
Secured term bank debt	1,300,000	-	500,000	-
Secured bank facilities	34,800	1,770,200	280,800	1,724,200
	<u>1,334,800</u>	<u>1,792,266</u>	<u>780,800</u>	<u>1,745,827</u>
Secured capital markets debt	4,501,606	-	4,063,815	-
Total Borrowings	<u>5,836,406</u>	<u>1,792,266</u>	<u>4,844,615</u>	<u>1,745,827</u>

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

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 the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowing using the effective interest rate method.

Ancillary costs incurred by the Group in establishing funding facilities are capitalised and amortised over the term of the facilities. These costs are netted off against the loan in the Statement of Financial Position.

Foreign currency borrowings are reported at spot exchange rates with movement in the spot rate reflected in the Statement of Profit or Loss and Other Comprehensive Income to the extent the borrowings are unhedged and in the hedge reserve if the borrowings are effectively hedged.

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15. Borrowings (continued)

Type	Maturity	Currency	Original Currency \$'000	Principal Drawn	Carrying Amount (ii)	
				Face Value (AUD) (i) \$'000	2023 \$'000	2022 \$'000
Capital Markets Debt						
AMTN	15-Sep-22	AUD	250,000	-	-	250,000
USPP (\$A)	15-Nov-22	AUD	125,000	-	-	125,000
USPP	15-Sep-23	USD	200,000	191,077	301,659	290,681
EMTN (iii)	26-Sep-23	EUR	550,000	784,920	901,787	834,658
EMTN	15-Oct-24	EUR	350,000	505,051	573,865	531,146
AMTN	11-Nov-25	AUD	120,000	120,000	120,000	120,000
USPP	15-Sep-26	USD	200,000	191,077	301,659	290,681
AMTN	4-Nov-26	AUD	200,000	200,000	200,000	200,000
USPP (\$A)	15-Jan-28	AUD	50,000	50,000	50,000	50,000
EMTN	27-Sep-30	NOK	1,500,000	242,994	209,418	219,540
AMTN	25-Nov-31	AUD	700,000	700,000	700,000	700,000
USPP (iii)	4-Dec-31	USD	105,000	151,844	158,371	152,607
EMTN (iii) (iv)	24-May-33	EUR	500,000	812,799	819,807	-
USPP	4-Dec-34	USD	105,000	151,844	158,371	152,607
USPP (\$A)	4-Dec-39	AUD	150,000	150,000	150,000	150,000
USPP (\$A)	4-Dec-44	AUD	250,000	250,000	250,000	250,000
Total Capital Market Debt				4,501,606	4,894,937	4,316,920
Bank Debt						
Bilateral Facility (v)	15-Jan-24	AUD		-	-	100,000
Bilateral Facility (v)	8-Apr-26	AUD		-	-	1,000
Syndicated Facility (vi)	30-Sep-24	AUD		-	-	140,000
Cash Advance Facility (vii)	30-Jul-25	AUD		34,800	34,800	39,800
Term Bank Debt	16-Jun-26	AUD		200,000	200,000	200,000
Term Bank Debt (viii)	13-Sep-27	AUD		292,000	292,000	-
Term Bank Debt	16-Jun-29	AUD		300,000	300,000	300,000
Term Bank Debt (viii)	13-Sep-29	AUD		508,000	508,000	-
				1,334,800	1,334,800	780,800
Total Borrowings				5,836,406	6,229,737	5,097,720
Fair value adjustments				-	(33,052)	(14,927)
Deferred upfront borrowing costs				-	(37,167)	(23,345)
Total Net Borrowings				5,836,406	6,159,518	5,059,448
					2023 \$'000	2022 \$'000
Current					1,197,293	374,873
Non-current					4,962,225	4,684,575
Total Net Borrowings					6,159,518	5,059,448

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15. Borrowings (continued)

Notes:

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

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

(ii) Carrying amounts of foreign debt reflect revalued debt in AUD at spot rates as at 30 June 2023 and 30 June 2022, as applicable.

(iii) Excludes fair value adjustments.

(iv) A new EUR\$500 million EMTN, with a hedged principal amount of \$813 million, was issued on 24 May 2023.

(v) Bilateral facilities held with six banks and have a total limit of \$800 million with maturity dates ranging from 15 January 2024 to 8 April 2026. Two facilities with a total limit of \$200 million were cancelled in October 2022.

(vi) Syndicated Facility total facility limit of \$940 million, comprising two tranches with individual limits of \$540 million maturing 31 March 2024 and \$400 million (maturing 30 September 2024).

(vii) Cash Advance Facility refers to the bank facility for Australia Pacific Airports (Launceston) Pty Ltd. The maturity date of the facility was extended from 30 July 2023 to 30 July 2025 in March 2023.

(viii) A new \$800 million term debt facility was executed on 19 August 2022.

During August 2023, Melbourne Airport refinanced the existing \$940 million syndicated bank facility, replacing the existing facility with \$1.2 billion of syndicated bank facilities. The new syndicated facility is split across two tranches maturing in August 2026 and August 2028. Aligned to the establishment of the facilities, Melbourne Airport cancelled \$600 million of Bilateral facilities maturing by 2025.

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Long term borrowings (i) 2023 \$'000	Short-term borrowings (i) 2023 \$'000	Derivative assets held to hedge long-term borrowings 2023 \$'000	Long term borrowings 2022 \$'000	Short-term borrowings 2022 \$'000	Derivative assets held to hedge long-term borrowings 2022 \$'000
Balance at 1 July	4,722,720	375,000	(266,849)	4,719,945	266,699	(235,618)
Proceeds from borrowings	1,612,799	-	-	1,211,500	-	-
Repayments of borrowings	(246,000)	(375,000)	-	(836,800)	(191,077)	-
Cash outlay for hedging restructure	-	-	-	-	-	(65,853)
Cash outlay for swaptions	-	-	(3,200)	-	-	-
	<u>1,366,799</u>	<u>(375,000)</u>	<u>(3,200)</u>	<u>374,700</u>	<u>(191,077)</u>	<u>(65,853)</u>
Non-cash movements						
Reclassification	(1,125,339)	1,125,339	-	(375,000)	375,000	-
Foreign exchange movement	62,111	78,107	-	3,075	(75,622)	-
Fair value changes	-	-	(109,944)	-	-	34,622
	<u>(1,063,228)</u>	<u>1,203,446</u>	<u>(109,944)</u>	<u>(371,925)</u>	<u>299,378</u>	<u>34,622</u>
Total	<u><u>5,026,291</u></u>	<u><u>1,203,446</u></u>	<u><u>(379,993)</u></u>	<u><u>4,722,720</u></u>	<u><u>375,000</u></u>	<u><u>(266,849)</u></u>

Note:

(i) The total borrowings balance (long-term and short-term) as at 30 June 2023 is \$6,229,737,000 (2022: \$5,097,720,000) before fair value adjustments and deferred upfront borrowing costs.

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16. Derivative financial instruments

The Group uses derivative financial instruments to mitigate its exposure to foreign currency and interest rate risks.

The Group undertook four restructures of its derivative portfolio between December 2020 and February 2022, aimed at reducing payments in the short term, by resetting out of the money fixed rate cross currency and interest rate swaps to current market interest rates.

The reduction in interest costs for the first three restructures ended in FY22. The reduction in interest cost related to the fourth restructure ended in October 2022 and provided \$15 million of interest savings in the current period (FY22: \$107 million). The restructures triggered a discontinuation of existing hedge relationships resulting in hedge accounting impacts to profit and loss which are reflected in the breakdown of interest detailed in Note 5 and the hedge reserve movement schedule detailed in Note 21.

The net derivative position at reporting date is presented below:

	Current 2023 \$'000	Non-current 2023 \$'000	Total 2023 \$'000	Current 2022 \$'000	Non-current 2022 \$'000	Total 2022 \$'000
Assets						
Cross currency swaps	221,170	174,707	395,877	-	274,164	274,164
Interest rate swaps	1,976	30,246	32,222	-	33,044	33,044
Swaption	-	5,987	5,987	-	-	-
	<u>223,146</u>	<u>210,940</u>	<u>434,086</u>	<u>-</u>	<u>307,208</u>	<u>307,208</u>
Liabilities						
Cross currency swaps	-	(53,117)	(53,117)	-	(38,459)	(38,459)
Interest rate swaps	(264)	-	(264)	-	(1,900)	(1,900)
Swaption	-	(711)	(711)	-	-	-
	<u>(264)</u>	<u>(53,828)</u>	<u>(54,092)</u>	<u>-</u>	<u>(40,359)</u>	<u>(40,359)</u>
Net derivative position assets/(liabilities)	<u>222,882</u>	<u>157,112</u>	<u>379,994</u>	<u>-</u>	<u>266,849</u>	<u>266,849</u>

Accounting policy for derivative financial instruments

The Group enters into interest rate swaps, swaptions and cross currency interest rate swaps. The swaps have been allocated against the underlying or forecast cross currency and interest rate exposure and to this extent modify the cross currency and interest rate risk of the underlying and forecast debt. These instruments 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.

17. Financial risk management

(a) Capital risk management

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

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17. Financial risk management (continued)

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 15, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings. In addition, the Group has implemented risk management strategies to mitigate against adverse increases to interest rates on future borrowings.

As at 30 June 2023, the Group had \$2,760 million of available liquidity in the form of \$1,770 million of undrawn bank facilities and \$990 million of cash and cash equivalents.

As outlined in note 1, during August 2023, Melbourne Airport refinanced the existing \$940 million syndicated bank facility, replacing the existing facility with \$1.2 billion of syndicated bank facilities. The Group retains a total \$1.465 billion of bank debt facilities. These facilities along with the \$990 million of cash available are sufficient to meet forward commitments.

The liquidity detailed above is available for repayment of bonds maturing in September 2023 with a face value of \$976 million (carrying value \$1,203 million).

(b) Categories of financial instruments

	At amortised cost \$'000	Derivatives designated: as fair value hedge \$'000	as cash flow hedge \$'000	Total \$'000
2023				
Financial Assets				
<i>Current financial assets</i>				
Cash and cash equivalents	989,623	-	-	989,623
Trade and other receivables	139,757	-	-	139,757
<i>Current financial assets</i>				
Current cross currency interest rate swaps	-	-	227,110	227,110
Current interest rate swaps	-	-	1,975	1,975
<i>Non-Current financial assets</i>				
Non-current cross currency interest rate swaps	-	-	183,035	183,035
Non-current interest rate swaps	-	-	30,246	30,246
Non-current swaption	-	-	5,987	5,987
	<u>1,129,380</u>	<u>-</u>	<u>448,353</u>	<u>1,577,733</u>
Financial liabilities				
<i>Current financial liabilities</i>				
Trade and other payables	129,413	-	-	129,413
Interest payable	36,902	-	-	36,902
Lease liabilities	1,287	-	-	1,287
Current borrowings	1,203,096	(5,803)	-	1,197,293
Current cross currency interest rate swaps	-	5,874	65	5,939
Current interest rate swaps	-	-	264	264
<i>Non-current financial liabilities</i>				
Non-current borrowings	4,989,474	(27,249)	-	4,962,225
Non-current cross currency interest rate swaps	-	24,870	36,576	61,446
Non-current swaption	-	-	711	711
Non-current payables	2,452	-	-	2,452
Non-current lease liabilities	2,447	-	-	2,447
	<u>6,365,071</u>	<u>(2,308)</u>	<u>37,616</u>	<u>6,400,379</u>

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17. Financial risk management (continued)

	At amortised cost \$'000	Derivatives designated:		Total \$'000
		as fair value hedge \$'000	as cash flow hedge \$'000	
2022				
Financial Assets				
<i>Current financial assets</i>				
Cash and cash equivalents	53,445	-	-	53,445
Trade and other receivables	80,086	-	-	80,086
<i>Non-current financial assets</i>				
Non-current cross currency interest rate swaps	-	5,827	275,659	281,486
Non-current interest rates swaps	-	-	33,044	33,044
	<u>133,531</u>	<u>5,827</u>	<u>308,703</u>	<u>448,061</u>
Financial liabilities				
<i>Current financial liabilities</i>				
Trade and other payables	58,545	-	-	58,545
Interest payable	22,239	-	-	22,239
Lease liabilities	1,287	-	-	1,287
Current borrowings	374,873	-	-	374,873
<i>Non-current financial liabilities</i>				
Non-current borrowings	4,699,502	(14,927)	-	4,684,575
Non-current interest rate swaps	-	-	1,900	1,900
Non-current cross currency interest rate swaps	-	20,550	25,231	45,781
Non-current payables	3,702	-	-	3,702
Non-current lease liabilities	3,127	-	-	3,127
	<u>5,163,275</u>	<u>5,623</u>	<u>27,131</u>	<u>5,196,029</u>

(c) Financial risk management objectives

The Group's corporate treasury function provides financing, investing and financial risk management services to the business. The strategic objectives of the corporate treasury function are to manage all material financial risks related to the Group's treasury activities including funding, liquidity, interest rate, foreign exchange, counterparty credit, operational and compliance risks. Corporate Treasury also provides support to the Group by ensuring financial metrics are maintained at levels that support a strong and stable standalone investment grade corporate credit rating.

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

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

(d) Interest rate risk management

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

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

The Group undertook four restructures of its derivative portfolio between December 2020 and February 2022, aimed at reducing payments in the short term, by resetting out of the money fixed rate cross currency and interest rate swaps to current market interest rates. Further detail is provided in Note 16, with the impact reflected in the breakdown of interest detailed in Note 5 and the hedge reserve movement schedule detailed in Note 21.

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17. Financial risk management (continued)

(e) Interest rate sensitivity

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

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

- Net profit would increase/ decrease by \$6,482,000 (2022: increase/ decrease \$1,449,000) as a result of the Group's exposure to variable interest rates on certain borrowings.
- Other equity reserves would increase/ decrease by \$15,724,000 (2022: increase/ decrease \$37,679,000) mainly as a result of changes in fair value through other comprehensive income for fixed rate derivative instruments.

(f) Cross currency sensitivity

Cross currency exposures for the Group are predominantly arising from foreign denominated interest bearing liabilities. The Group's policy is to hedge 100% of cross currency risk for both capital and interest for the life of the exposure. In both the current and prior year, these cross currency exposures were 100% hedged through cross currency swaps until maturity resulting in no other material cross currency risk exposure.

(g) Interest rate derivative contracts

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

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

	Average contracted fixed interest rate		Notional principal amount		Fair value of interest rate derivatives	
	2023 %	2022 %	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Less than 1 year	4.2%	-	729,000	-	1,711	-
1 to 2 years	-	3.4%	-	729,000	-	3,386
2 to 5 years	3.6%	2.1%	1,741,000	346,000	29,833	14,677
5 years +	3.3%	2.6%	118,000	313,000	5,689	13,081
			<u>2,588,000</u>	<u>1,388,000</u>	<u>37,233</u>	<u>31,144</u>

The fair value of these contracts as at 30 June 2023 is disclosed in Note 16.

(h) Foreign currency risk management

As the Group has certain borrowings denominated in foreign currencies, it is exposed to exchange rate fluctuations. These exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

(i) Foreign currency exchange contracts

The Group enters cross currency interest rate swaps to manage its foreign currency risk on foreign denominated borrowings. 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.

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17. Financial risk management (continued)

	Average Contracted Fixed Interest Rate	Average Exchange Rate	Notional Principal Amount		Fair Value of Cross Currency Interest Rate Derivatives	
	%		1 to 5 years \$'000	> 5 years \$'000	1 to 5 years \$'000	> 5 years \$'000
Consolidated 2023						
USD (610m)	6.40%	0.8894	382,153	303,688	203,677	1,357
EUR (1,400m)	5.40%	0.6658	1,289,974	812,799	164,177	10,110
NOK (1,500m)	4.20%	6.1730	-	242,994	-	(36,560)
			<u>1,672,127</u>	<u>1,359,481</u>	<u>367,854</u>	<u>(25,093)</u>

	Average Contracted Fixed Interest Rate	Average Exchange Rate	Notional Principal Amount		Fair Value of Cross Currency Interest Rate Derivatives	
	%		1 to 5 years \$'000	> 5 years \$'000	1 to 5 years \$'000	> 5 years \$'000
Consolidated 2022						
USD (610m)	6.10%	0.8894	382,153	303,688	184,780	(3,128)
EUR (900m)	4.40%	0.6977	1,289,974	-	76,151	-
NOK (1,500m)	4.20%	6.1730	-	242,994	-	(22,097)
			<u>1,672,127</u>	<u>546,682</u>	<u>260,931</u>	<u>(25,225)</u>

(j) Liquidity risk

The following table details the Group's exposure to liquidity risk as at 30 June 2023. All domestic bonds, US private placements and European bonds listed are fixed rate notes unless otherwise stated.

	Weighted average effective interest rate (i)	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
2023						
Financial liabilities						
Trade and other payables		129,413	-	-	-	129,413
Interest payable		36,902	-	-	-	36,902
Lease liability		322	966	6,437	3,862	11,587
Non-current payables		2,452	-	-	-	2,452
		<u>169,089</u>	<u>966</u>	<u>6,437</u>	<u>3,862</u>	<u>180,354</u>
Borrowings:						
Term bank debt	5.26%	18,385	59,174	738,700	860,676	1,676,935
Bank facilities	4.98%	462	1,386	36,966	-	38,814
AMTN	3.79%	9,901	29,702	452,130	792,228	1,283,961
USPP	4.19%	317,242	33,939	500,979	991,065	1,843,225
EMTN	5.64%	935,622	45,941	749,963	1,225,461	2,956,987
		<u>1,281,612</u>	<u>170,142</u>	<u>2,478,738</u>	<u>3,869,430</u>	<u>7,799,922</u>
Cross currency interest rate swaps						
- Outflow	(ii)	7,251	12,671	76,419	460,287	556,628
- Inflow	(ii)	(5,654)	(5,242)	(43,652)	(410,010)	(464,558)
Interest rate swaps	(ii)	5,714	-	-	-	5,714
		<u>7,311</u>	<u>7,429</u>	<u>32,767</u>	<u>50,277</u>	<u>97,784</u>
		<u>1,458,012</u>	<u>178,537</u>	<u>2,517,942</u>	<u>3,923,569</u>	<u>8,078,060</u>

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17. Financial risk management (continued)

2022	Weighted average effective interest rate	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
	(i)					
Financial liabilities						
Trade and other payables		58,545	-	-	-	58,545
Interest payable		22,239	-	-	-	22,239
Lease liability (iii)		322	966	6,347	5,150	12,785
Non-current payables		-	-	3,702	-	3,702
		81,106	966	10,049	5,150	97,271
Borrowings:						
Term bank debt	3.18%	5,371	24,549	447,059	335,097	812,076
Bank facilities	2.77%	269	2,949	104,669	-	107,887
AMTN	3.80%	262,427	29,395	465,425	818,715	1,575,962
USPP	4.14%	15,046	168,629	748,261	1,055,712	1,987,648
EMTN	4.72%	31,938	9,347	1,434,152	243,234	1,718,671
		315,051	234,869	3,199,566	2,452,758	6,202,244
Cross currency interest rate swaps						
- Outflow	(ii)	6,152	10,814	74,217	470,597	561,780
- Inflow	(ii)	(5,928)	(4,779)	(42,881)	(417,405)	(470,993)
Interest rate swaps	(ii)	606	(2,764)	5,988	-	3,830
		830	3,271	37,324	53,192	94,617
		396,987	239,106	3,246,939	2,511,100	6,394,132

Notes:

(i) Weighted average effective interest rate calculation includes duration and volume.

(ii) Swap rates embedded into the weighted average effective interest rates of USPP and EMTN bonds.

As at 30 June 2023, the Group had \$2,770 million of available liquidity in the form of \$1,770 million of undrawn bank facilities and \$990 million of cash and cash equivalents.

As outlined in Note 1 and Note 15, during August 2023, Melbourne Airport refinanced the existing \$940 million syndicated bank facility, replacing the existing facility with \$1.2 billion of syndicated bank facilities. The Group retains a total \$1.465 billion of bank debt facilities. These facilities along with the \$990 million of cash available are sufficient to meet forward commitments.

The liquidity detailed above provides sufficient liquidity to cover all financial liabilities due in the next 12 months.

(k) Credit risk management

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

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

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

17. Financial risk management (continued)

For trade receivables, the Group adopts a policy of dealing with customers with appropriate credit quality and obtaining collateral support where appropriate for risk mitigation. The Group continues to monitor its trade receivables ageing and engages in follow up activity, which may include enforcement where receivables are overdue. A write off is recognised when there is no reasonable expectation of recovery. Refer to Note 8 for details on Expected Credit Losses.

(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 the financial statements.

All of the Group's financial instruments measured, recognised and disclosed at fair value were valued using market observable inputs (Level 2). There were no transfers between levels during the year and there has been no change in valuation techniques applied.

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

	Fair Value of Financial Instruments			
	Carrying Amount 2023	Carrying Amount 2022	Fair Value 2023	Fair Value 2022
Consolidated				
Bank Facilities	(1,334,800)	(780,800)	(1,322,154)	(788,364)
AMTN	(1,020,000)	(1,270,000)	(881,042)	(1,176,306)
USPP A\$	(450,000)	(575,000)	(333,477)	(428,472)
USPP	(898,517)	(872,583)	(853,420)	(877,037)
EMTN - EUR	(2,283,950)	(1,364,870)	(2,270,067)	(1,362,163)
EMTN - NOK	(209,418)	(219,540)	(182,510)	(217,362)
Deferred upfront borrowing costs	37,167	23,345	-	-
	<u>(6,159,518)</u>	<u>(5,059,448)</u>	<u>(5,842,670)</u>	<u>(4,849,704)</u>

(m) Liquidity risk management

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

(n) Hedge accounting

Hedging refers to the way in which the Group uses derivative financial instruments, to manage its exposure to financial risks as described below under "Types of hedging instruments". The gain or loss on the underlying instrument ("hedged item") is expected to move in the opposite direction to the gain or loss on the derivative ("hedging instrument"), therefore offsetting the Group's risk position. Hedge accounting is a technique that enables the matching of the gains and losses on designated hedging instruments and hedged items in the same accounting period to minimise volatility in Profit or Loss.

The Group's major exposure to interest rate risk and foreign currency risk arises from its borrowings.

(o) Cross-currency, interest rate swaps and option contracts

The Group is exposed to risk from movements in foreign exchange and interest rates. As part of the risk management strategy set out above, the Group holds the following types of derivative instruments:

Interest rate swap and option contracts: the Group agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of fixed rate debt held and the cash flow exposures of floating rate debt held.

17. Financial risk management (continued)

Cross-currency swap contracts: the Group agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the Group to mitigate the risk of adverse movements in foreign exchange rates.

The Group enters into the above derivative instruments to offset the risks arising from its long-term borrowings. To the extent permitted by AASB 9, the Group formally designates and documents these financial instruments as fair value and cash flow hedges for accounting purposes. In order to qualify for hedge accounting, AASB 9 requires that prospective hedge effectiveness testing meets all of the following criteria:

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

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

(p) Fair value hedges

The objective of the Group's fair value hedging is to convert fixed interest rate borrowings to floating interest rate borrowings.

The Group enters into cross-currency swaps to mitigate its exposure to changes in the fair value of long-term offshore borrowings. Changes in the fair value of the hedging instrument, and changes in the fair value of the hedged item that is attributable to the hedged risk ('fair value hedge adjustment') are recognised in profit or loss. Ineffectiveness reflects the extent to which the fair value movements do not offset and is primarily driven by movements in credit of the hedging instrument. AASB 9 allows a component of the Group's borrowing margin associated with cross-currency swaps ("foreign currency basis spread") to be deferred in equity. This component is included in interest on borrowings in profit or loss over the remaining maturity of the borrowing.

The Group's fair value hedges have an economic relationship on the basis that the critical terms of the hedging instrument and hedged item (including face value, cash flows and maturity date) are aligned. The relationship between the hedged risk and the corresponding value of the hedging derivatives results in a hedge ratio of one.

The cumulative amount of fair value hedge adjustments which are included in the carrying amount of our borrowings in the Statement of Financial Position is shown below. This relates to the issue of cross currency swaps over European bonds (September 2023 and May 2033) and USPP 2031 as they are the only instruments with a fair value hedge.

	2023	2022
	\$'000	\$'000
Fixed rate instruments		
Face value	1,749,563	936,773
Foreign exchange adjustments	130,402	50,492
Cumulative fair value hedge adjustments	<u>(33,052)</u>	<u>(14,927)</u>
Carrying amount	<u><u>1,846,913</u></u>	<u><u>972,338</u></u>

(q) Cash flow hedges

The objective of the Group's cash flow hedging is to hedge the exposure arising from variability in future interest and foreign currency cash flows arising from borrowings that bear interest at variable rates or are denominated in foreign currency.

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17. Financial risk management (continued)

Hedge Accounting Relationship	Fair Value Hedge		Cash Flow Hedge				
Hedging Instrument	USD - CCIRS	EUR - CCIRS	USD - CCIRS	EUR - CCIRS	NOK - CCIRS	AUD - IRS + Swaptions	
Hedged Item	USD Fixed Debt	EUR Fixed Debt	USD Fixed Debt	EUR Fixed Debt	NOK Fixed Debt	AUD Floating Debt	
Notional Amount	USD 105,000,000	EUR 803,936,718	USD 610,000,000	EUR 1,400,000,000	NOK 1,500,000,000	AUD 2,588,000,000	
Hedge Ratio	1:1	1:1	1:1	1:1	1:1	1:1	Total
Denomination	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's
At 30-June-2023							
Carrying amount of hedging instruments							
Assets - Current	-	-	108,851	118,259	-	1,975	229,085
Assets - Non-current	-	-	117,997	65,038	-	36,233	219,268
Liabilities - Current	-	(5,874)	-	(65)	-	(264)	(6,203)
Liabilities - Non-current	(21,814)	(3,056)	-	(16)	(36,560)	(711)	(62,157)
Total	(21,814)	(8,930)	226,848	183,216	(36,560)	37,233	379,993
Cumulative fair value adjustment on hedged item*	21,544	11,508	-	-	-	-	33,052
Carrying amount of the hedged item recognised in the statement of financial position	(135,888)	(1,291,155)	-	-	-	-	(1,427,043)
Balance in cash flow hedge reserve for continuing hedges	-	-	4,346	11,112	2,985	(46,122)	(27,679)
Balance in cash flow hedge reserve from discontinued hedges	-	-	18,306	(24,072)	-	66,729	60,963
During the Year							
Change in fair value of hedging instrument							
used for calculating hedge effectiveness	(7,898)	(8,122)	30,141	110,496	(14,463)	(8,571)	101,582
due to cash payment on restructure of hedges	-	-	-	-	-	-	-
Change in fair value of hedged item							
used for calculating hedge effectiveness	7,550	10,574	(27,339)	(118,523)	15,806	13,047	(98,885)
Change in cash flow hedge reserve							
for continuing hedge relationships	-	-	(3,360)	(14,379)	(4,341)	(8,563)	(30,643)
for discontinued hedge relationships	-	-	13,807	25,290	-	9,364	48,461
Change in profit or loss							
Ineffectiveness recognised in profit and loss	(348)	2,452	17	8,020	-	(8)	10,132
Unwind of inception fair value	-	7,692	48	(18,715)	-	17,335	6,361
Reclassified from CFHR to profit and loss on continued hedge relationships	-	-	(16,128)	(155,718)	5,641	4,196	(162,009)
Reclassified from CFHR to profit and loss on discontinued hedge relationships	-	-	(13,807)	(23,288)	-	(9,364)	(46,459)
Restructure impacts on profit and loss	-	-	-	-	-	-	-

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

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17. Financial risk management (continued)

Hedge Accounting Relationship	Fair Value Hedge		Cash Flow Hedge				
Hedging Instrument	USD - CCIRS	EUR - CCIRS	USD - CCIRS	EUR - CCIRS	NOK - CCIRS	AUD - IRS	
Hedged Item	USD Fixed Debt	EUR Fixed Debt	USD Fixed Debt	EUR Fixed Debt	NOK Fixed Debt	AUD Floating Debt	
Notional Amount	USD 105,000,000	EUR 550,000,000	USD 610,000,000	EUR 900,000,000	NOK 1,500,000,000	AUD 1,388,000,000	
Hedge Ratio	1:1	1:1	1:1	1:1	1:1	1:1	Total
Denomination	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's	A\$'000's
At 30-June-2022							
Carrying amount of hedging instruments							
Assets - Current	-	-	-	-	-	-	-
Assets - Non-current	-	5,827	198,168	77,492	-	33,044	314,530
Liabilities - Current	-	-	-	-	-	-	-
Liabilities - Non-current	(13,916)	(6,634)	(2,600)	(534)	(22,097)	(1,900)	(47,681)
Total	(13,916)	(807)	195,568	76,958	(22,097)	31,144	266,849
Cumulative fair value adjustment on hedged item*	13,993	934	-	-	-	-	14,928
Carrying amount of the hedged item recognised in the statement of financial position	(137,587)	(832,009)	-	-	-	-	(969,596)
Balance in cash flow hedge reserve for continuing hedges	-	-	986	(3,267)	(1,356)	(54,685)	(58,322)
Balance in cash flow hedge reserve from discontinued hedges	-	-	32,113	1,218	-	76,092	109,423
During the Year							
Change in fair value of hedging instrument							
used for calculating hedge effectiveness	(21,462)	(28,948)	45,473	31,037	(58,797)	48,656	15,960
due to cash payment on restructure of hedges	-	-	10,492	7,053	-	17,705	35,250
Change in fair value of hedged item							
used for calculating hedge effectiveness	21,376	20,448	(65,240)	(45,363)	62,365	(72,583)	(70,998)
Change in cash flow hedge reserve							
for continuing hedge relationships	-	-	4,512	(14,180)	(27,522)	(62,702)	(99,892)
for discontinued hedge relationships	-	-	7,835	(18,440)	-	(38,039)	(48,644)
Change in profit or loss							
Ineffectiveness recognised in profit and loss	86	500	288	7,944	-	(1,322)	7,496
Unwind of inception fair value	-	-	834	4,285	-	(19,179)	(14,061)
Reclassified from CFHR to profit and loss on continued hedge relationships	-	-	(2,477)	(57,150)	(12,919)	-	(72,546)
Reclassified from CFHR to profit and loss on discontinued hedge relationships	-	-	9,276	21,718	-	12,063	43,056
Restructure impacts on profit and loss	-	-	(3,319)	(3,413)	-	425	(6,307)

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

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18. Lease liabilities

	2023 \$'000	2022 \$'000
Lease liabilities		
Current	1,287	1,287
Non-current	2,447	3,127
	<u>3,734</u>	<u>4,414</u>

The maturity profile of the Group's lease liabilities based on contractual undiscounted payments is set out in Note 17(j).

19. Lease arrangements - Lessor

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

	2023 \$'000	2022 \$'000
Within one year	123,303	107,278
Later than one year but not later than 5 years	450,726	450,992
Later than 5 years	1,048,661	1,103,459
	<u>1,622,690</u>	<u>1,661,729</u>

20. Issued capital

	2023 \$'000	2022 \$'000
118,100,000 Ordinary Shares - fully paid (30 June 2022: 118,100,000)	118,100	118,100

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

21. Hedging reserves

	2023 \$'000	2022 \$'000
Consolidated		
Opening balance	35,771	139,795
(Gain) / loss recognised on derivative financial instruments (unrealised)	(119,604)	(177,493)
(Gain) / loss recognised on derivative financial instruments (realised)	(21,792)	28,155
(Gain) / loss on foreign exchange remeasurement transferred to profit and loss	140,217	72,546
(Gain) / loss on hedge ineffectiveness transferred to profit and loss	8,028	(6,910)
(Gain) / loss on unwind of discontinued hedge relationships transferred to profit and loss	(46,459)	(43,056)
(Gain) / loss on restructure impacts transferred to profit and loss	-	6,307
(Gain) / loss on cash flow hedges transferred to profit and loss	21,792	(28,155)
Income tax related to amounts above	5,345	44,582
Closing balance	<u>23,298</u>	<u>35,771</u>

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

Australia Pacific Airports Corporation Limited
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22. Capital expenditure commitments

	2023	2022
	\$'000	\$'000
Capital expenditure commitments		
No longer than 1 year	437,866	182,278
Longer than 1 year but no longer than 5 years	365,853	140,477
Total Property, plant and equipment commitments	<u>803,719</u>	<u>322,755</u>

23. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2023 %	2022 %
Parent entity			
Australia Pacific Airports Corporation Limited	Australia	-	-
Subsidiaries			
APAC (Holdings No.2) Pty. Limited	Australia	100%	100%
Australia Pacific Airports (Melbourne) Pty. Limited	Australia	100%	100%
Australia Pacific Airports (Property) Pty. Limited(i) (ii)	Australia	100%	100%
APAC (Holdings) Pty. Limited (i)	Australia	100%	100%
Australia Pacific Airports (Launceston) Pty. Limited (i)	Australia	100%	100%

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

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

24. Related party transactions

(a) Equity interests in related parties

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

(b) Key management personnel compensation

The aggregate compensation of the key management personnel of the Group is set out below.

	2023	2022
	\$	\$
Current		
Short-term employee benefits	6,379,154	4,560,777
Long-term incentives	495,266	438,836
	<u>6,874,420</u>	<u>4,999,613</u>
Exiting		
Short-term employee benefits	193,121	2,876,982
Long-term incentives	-	495,985
Resignations	565,000	631,500
	<u>758,121</u>	<u>4,004,467</u>
	<u><u>7,632,541</u></u>	<u><u>9,004,080</u></u>

(c) Transactions within the wholly-owned group

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

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2023

24. Related party transactions (continued)

In accordance with tax sharing arrangements (refer to Note 7) tax payments have been received or accrued to reflect the wholly owned Controlled Entity's share of the tax expense of the tax consolidated group.

(d) Transactions with Shareholders

IFM Investors Pty Ltd being shareholders are considered related parties of the Group.

During FY23, IFM Investors Pty Ltd provided resourcing for the Melbourne Airport Rail project. Since the project was on hold as at 30 June 2023, no amount has been accrued at the balance date.

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2023

25. Notes to the Statement of Cash Flows

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

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

	2023	2022
	\$'000	Restated \$'000
Profit/(loss) after income tax (expense)/benefit for the year	146,809	(20,170)
Adjustments for:		
Impairment of property, plant and equipment	5	1,487
Amortisation of deferred borrowing costs	10,325	7,244
Hedge reserve unwind	29,266	60,116
Depreciation and amortisation of non-current assets	241,807	265,623
Gain on sale of non-current assets	(31)	(106)
Loss/ (Gain) on fair value of investment property	1,707	(119,276)
Movement in deferred taxes	62,247	(10,705)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(58,624)	(41,911)
(Increase)/decrease in other current assets	5,672	(1,411)
(Increase)/decrease in other non-current assets	2,009	2,210
(Increase)/decrease in accrued revenue	(11,321)	(117)
Increase/(decrease) in trade payables	25,616	(26,107)
Increase/(decrease) in interest payables	14,663	705
Increase/(decrease) in employee provisions	916	7,466
Increase/(decrease) in unearned income	8,715	16,072
Net cash from operating activities	<u>479,781</u>	<u>141,120</u>

26. Remuneration of auditors

	2023	2022
	\$	\$
Audit or review of the Group financial report and subsidiary financial reports	<u>373,335</u>	<u>421,000</u>
Other assurance services and agreed-upon procedures under other legislation or contractual arrangements	<u>231,570</u>	<u>129,000</u>
	<u>604,905</u>	<u>550,000</u>

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

Australia Pacific Airports Corporation Limited
Notes to the consolidated financial statements
30 June 2023

27. Company disclosures

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

	2023 \$'000	2022 \$'000
(a) Financial position:		
Assets:		
Current assets	19,289	19,289
Non-current assets	128,032	128,032
Total assets	<u>147,321</u>	<u>147,321</u>
Liabilities:		
Current liabilities	(14)	(14)
Non-current liabilities	-	-
Total liabilities	<u>(14)</u>	<u>(14)</u>
Net assets	<u>147,307</u>	<u>147,307</u>
Equity:		
Issued capital	118,100	118,100
Retained earnings	<u>29,207</u>	<u>29,207</u>
	<u>147,307</u>	<u>147,307</u>
(b) Financial performance		
Other comprehensive income	-	-
Total other comprehensive income	<u>-</u>	<u>-</u>

28. Contingent liabilities

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

29. Events after the reporting period

During August 2023, Melbourne Airport refinanced the existing \$940 million syndicated bank facility, replacing the existing facility with \$1.2 billion of syndicated bank facilities. The new syndicated facility is split across two tranches maturing in August 2026 and August 2028. Aligned to the establishment of the facilities, Melbourne Airport cancelled \$600 million of Bilateral facilities maturing by 2025.

The Group retains a total \$1.465 billion of bank debt facilities of which \$1.2 billion is a syndicated facility and \$200m an existing Bilateral facility maturing in April 2026, both facilities are undrawn. These facilities along with the \$990 million of cash available are sufficient to meet forward commitments.

Except as disclosed above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Australia Pacific Airports Corporation Limited
Directors' declaration
30 June 2023

The Directors declare that:

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

Signed in accordance with a resolution of Directors.

On behalf of the Directors



Mr P. Hay
Chairman

31 August 2023
Melbourne

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

Opinion

We have audited the financial report of Australia Pacific Airports Corporation Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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

Jason Thorne
Partner
Chartered Accountants
Sydney, 31 August 2023