

Australia Pacific Airports Corporation Limited

Directors' Report

The Directors of Australia Pacific Airports Corporation Limited (APAC) ACN 069 775 266 submit herewith the financial report of Australia Pacific Airports Corporation Limited and its subsidiaries ("consolidated entity") for the half-year ended 31 December 2013. The Directors report as follows:

The names of the Directors of the consolidated entity during or since the end of the half-year are:

<i>Name</i>	<i>Appointment</i>
Continuing	
Mr D. Crawford	Chairman
Mr C. Woodruff	Managing Director and Chief Executive Officer
Mr K. Mangini	
Ms N. Lennie	
Mr R. Hedley	
Ms M. Beltran	
Mr J. Harvey	
Mr B. Hynes	
Mr S. Davies	(as alternate for Ms M. Beltran & Mr B. Hynes)
Mr J. Garcia	(as alternate for Mr K. Mangini)
Mr N. Maruf	(as alternate for Mr R. Hedley)

Principal activities

The consolidated entity's principal activity in the course of the half year was the management of airport operations at Melbourne Airport and Launceston Airport.

Review of operations

APAC and its subsidiaries recorded revenue of \$361,106,000 and operating expenses of \$89,117,000 resulting in earnings before investment property gains, borrowing costs, tax, depreciation and amortisation of \$271,989,000 for the six months ended 31 December 2013.

Depreciation and amortisation expense was \$43,372,000 and total borrowing costs were \$78,245,000 giving a profit before income tax of \$150,372,000 and profit after tax of \$105,080,000 (December 2012: profit after tax \$89,005,000).

Dividends

The Directors declared an interim dividend for 30 June 2014 of \$79,127,000 (0.67 cents per share) paid on the 13 December 2013.

The Directors have not yet made a recommendation for any further dividend for the year ending 30 June 2014.

Changes in state of affairs

During the financial period there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

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

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity.

Australia Pacific Airports Corporation Limited

Directors' Report

Environmental regulations

In relation to environmental matters, the consolidated entity is subject to the Airports Act 1996 ("the Act") and the Airports (Environment Protection) Regulations 1997 ("the Regulations"). The Board is satisfied that the results of environmental monitoring conducted by internal and external specialists during the period ended 31 December 2013 demonstrate compliance with the Act and the Regulations.

Indemnification of officers and auditors

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

The consolidated entity has entered into a deed of indemnity with each Director, Alternate Director, and Company Secretary of the consolidated entity and its subsidiaries (each an "indemnified party"), which provides that the consolidated entity will, both during the period the indemnified party holds office and for a period of seven years after the indemnified party ceases to hold office:

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

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

Rounding off of amounts

The consolidated entity is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the half year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Corporate governance

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

Board of Directors

On the day on which the Directors' Report was made out, the Board consisted of seven non-executive Directors and one Managing Director and Chief Executive Officer.

The primary responsibilities of the Board include:

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

The Board formed three Committees to support the Board in the following areas:

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

Australia Pacific Airports Corporation Limited

Directors' Report

Risk Management

The Board is responsible for the consolidated entity's system of internal control and endorsing the Risk Management Framework. The Board constantly monitors the operational and financial aspects of the consolidated entity's activities and considers the recommendations and advice of auditors and other external advisers on the operational and financial risks that face the consolidated entity.

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

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

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

Audit and Risk Management Committee

The Board has determined not to maintain separate sub-committees for audit and risk management and safety, security and environment, but that all Directors participate in these discussions through the Audit and Risk Management Committee. The Audit and Risk Management Committee meeting provides a separate forum for the review of various audit, risk management, safety, security and environmental matters, including:

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

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

Finance and Projects Committee

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

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

The Finance and Projects Committee is also charged with reviewing and reporting to the Board on any large scale projects which the consolidated entity intends to embark on including consolidated entity growth projects, and capital projects of a value which exceeds the authority delegated to the Chief Executive Officer. The Committee may recommend a project for consideration and approval by the Board. The Board has determined that, in each year, the Committee will review the list of capital projects contained in the consolidated entity's budget and recommend a list of projects which are to be delegated to the Committee for approval. Other than these projects, the Committee has no delegated authority of its own.

Remuneration Committee

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

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

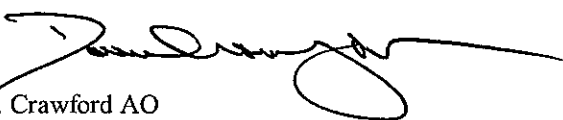
The Remuneration Committee has no delegated authority to make decisions on behalf of the Board.

Australia Pacific Airports Corporation Limited

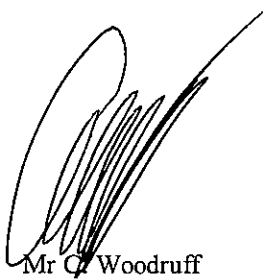
Directors' Report

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Mr D. Crawford AO
Chairman
MELBOURNE



Mr G. Woodruff
Managing Director
MELBOURNE

27 February 2014

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

We have reviewed the accompanying half-year financial report of Australia Pacific Airports Corporation Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes, and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 22.

Directors' Responsibility for the Half Year Financial Report

The directors' of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with AASB 134 *Interim Financial Reporting* and for such internal control as the director's determine is necessary for the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with AASB 134 *Interim Financial Reporting*. As the auditor of Australia Pacific Airports Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Australia Pacific Airports Corporation Limited does not present fairly, in all material respects, the consolidated entity's financial position as at 31 December 2013 and of its financial performance for the half-year ended on that date in accordance with AASB 134 *Interim Financial Reporting*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

SP

S. Pelusi
Partner
Chartered Accountants
Melbourne, 27 February 2014

Australia Pacific Airports Corporation Limited

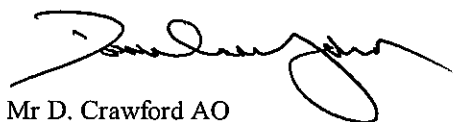
Directors' Declaration

The Directors declare that:

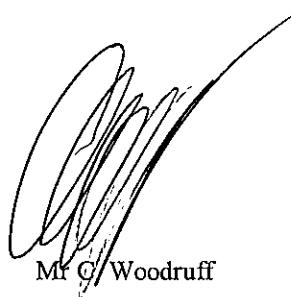
- (a) In the Directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and
- (b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Mr D. Crawford AO
Chairman
MELBOURNE



Mr C. Woodruff
Managing Director
MELBOURNE

27 February 2014

Australia Pacific Airports Corporation Limited

Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2013

	Note	Consolidated	
		31 Dec 2013 \$'000	31 Dec 2012 ⁽ⁱ⁾ \$'000
Revenue			
- Aeronautical revenue		160,786	140,076
- Retail revenue		138,107	131,479
- Property revenue		56,801	51,125
- Interest revenue		3,616	206
- Other income		1,725	820
		361,035	323,706
- Gain on sale of fixed assets		71	22
Total revenue		361,106	323,728
Less operating costs:			
- Staff costs		(19,092)	(17,684)
- Service and utility costs		(50,539)	(46,920)
- Maintenance costs		(9,147)	(9,095)
- Administration, marketing and other costs		(10,339)	(11,408)
Operating profit		271,989	238,621
Less:			
Depreciation and amortization		(43,372)	(40,302)
Borrowing costs		(78,245)	(70,920)
Profit before income tax expense	2	150,372	127,399
Less:			
Income tax expense	3	(45,292)	(38,394)
Profit for the period		105,080	89,005
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges ,net of income tax		83,443	10,813
Total comprehensive income for the period		188,523	99,818

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

Australia Pacific Airports Corporation Limited

Statement of Financial Position as at 31 December 2013

	Note	Consolidated	
		31 Dec 2013 \$'000	30 June 2013 ⁽ⁱ⁾ \$'000
Current assets			
Cash and cash equivalents		250,152	3,854
Inventories	4	184	184
Receivables	5	59,085	43,365
Other financial assets	6	2,068	266
Total current assets		311,489	47,669
Non-current assets			
Property, plant and equipment	7	1,696,525	1,545,508
Investment property	8	1,090,549	1,085,917
Goodwill	9	671,866	671,866
Other capitalised costs	10	2,088	1,772
Other financial assets	11	119,916	75,480
Total non-current assets		3,580,944	3,380,543
Total assets		3,892,433	3,428,212
Current liabilities			
Payables	12	93,406	87,672
Borrowings	13	99,300	-
Current tax liabilities	14	23,457	19,132
Provisions	15	5,552	5,592
Other financial liabilities	16	4,941	8,018
Total current liabilities		226,656	120,414
Non-current liabilities			
Borrowings	17	2,224,697	2,025,173
Payables	18	1,202	1,202
Deferred tax liabilities	19	434,683	401,940
Provisions	20	1,376	1,520
Other financial liabilities	21	77,626	43,822
Total non-current liabilities		2,739,584	2,473,657
Total liabilities		2,966,240	2,594,071
Net assets		926,193	834,141
Equity			
Issued capital	22	118,100	118,100
Reserves	23	75,019	8,920
Retained earnings	24	733,074	707,121
Total equity		926,193	834,141

⁽ⁱ⁾ Adjusted consolidated statement of financial performance (Refer Note 1)

Notes to the consolidated financial statements are included on pages 12 to 22

Australia Pacific Airports Corporation Limited

Statement of Changes in Equity for the half year ended 31 December 2013

	Issued Capital \$'000	Consolidated Hedging Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 30 June 2012	118,100	(60,832)	631,128	688,396
Restatement (note 1)	-	-	17,905	17,905
Balance as at 1 July 2012	118,100	(60,832)	649,033	706,301
Profit for the period	-	-	89,005	89,005
Changes in the fair value of cash flow hedges ,net of income tax	-	10,813	-	10,813
Total comprehensive income for the period, net of income tax	-	10,813	89,005	99,818
Dividend paid	-	-	(70,860)	(70,860)
Balance as at 31 December 2012	118,100	(50,019)	667,178	735,259
Balance as at 1 July 2013	118,100	8,920	707,121	834,141
Profit for the period	-	-	105,080	105,080
Changes in the fair value of cash flow hedges ,net of income tax	-	66,099	-	66,099
Total comprehensive income for the period	-	66,099	105,080	171,179
Dividend paid	-	-	(79,127)	(79,127)
Balance at 31 December 2013	118,100	75,019	733,074	926,193

Australia Pacific Airports Corporation Limited

Statement of Cash Flows for half year ended 31 December 2013

		Consolidated Inflows (Outflows)	
		31 Dec 2013	31 Dec 2012
Note		\$'000	\$'000
<i>Cash flows from operating activities</i>			
		374,059	340,099
		(129,803)	(124,233)
		3,616	206
		(80,274)	(71,673)
		(36,552)	(27,469)
	25(c)	131,046	116,930
<i>Cash flows from investing activities</i>			
		(181,228)	(118,963)
		(4,632)	(16,164)
		97	22
		(540)	-
		(186,303)	(135,105)
<i>Cash flows from financing activities</i>			
		(13,747)	(360)
		805,429	289,000
		(411,000)	(205,000)
		(79,127)	(70,860)
		301,555	12,780
		246,298	(5,395)
		3,854	3,047
	25(a)	250,152	(2,348)

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

1. Summary of accounting policies

STATEMENT OF COMPLIANCE

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of AASB 134 "Interim Financial Reporting".

The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report of Australia Pacific Airports Corporation Limited for the year ended 30 June 2013.

BASIS OF PREPARATION

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

The consolidated entity is a company of the kind referred to in ASIC class order 98/100, dated 10 July 1998, and in accordance with the class order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Consolidated Entity include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

RESTATEMENT OF ASSET LEASE PREMIUM AND PROPERTY REVENUE

Following the completion of an operating lease contract in the year ended 30 June 2013 containing fixed price rate increases and a lease free period, management undertook a detailed assessment of all operating leases in the six month period ended 31 December 2013 to ensure they complied with AASB 17 Leases. This standard requires fixed price rate increases and lease incentives to be recognized on a straight line basis over the life of the lease. The review highlighted that, in prior periods, the consolidated entity, had consistently but incorrectly recorded such items as they occurred rather than on a straight line basis over the life of the lease.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

The consolidated entity was able to allocate the increase in property revenue and lease premium to prior periods.

ACCOUNTING FOR OPERATING LEASES

During the six month period ended 31 December 2013, the Group amended its accounting policy in relation to operating leases to straight line fixed rate increases and lease incentives over the life of the operating lease. In prior periods, the Group had consistently, but incorrectly, recorded such items as they occurred rather than on a straight line basis over the life of the lease.

As a result of this amendment to the accounting policy, the Group was required to adjust related balances in prior periods as follows:

Balance Sheet	30 June Reported \$'000	Opening adjustment \$'000	FY13 Movement \$'000	30 June Adjusted \$'000	31 Dec 13 Movement (i) \$'000
Other financial assets (note 11)		25,579	6,470	32,049	3,233
Deferred tax liability	392,325	7,674	1,941	401,940	970
Retained earnings	684,687	17,905	4,529	707,121	2,263
(i) Movement from 30 June 2013 to 31 December 2013 as it relates to the straight-lining of leases, and representative of the impact on the statement of profit or loss for the period ended 31 December 2013					

ADDITIONAL COMPANY INFORMATION

Australia Pacific Airports Corporation Limited is a company incorporated in Australia. The address of its registered office and principal place of business are:

Australia Pacific Airports Corporation Limited
Level 2, Terminal 2,
Melbourne Airport VIC 3043

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
2. Profit before income tax expense		
Net bad and doubtful debts arising from other entities	37	96
Loss on sale of fixed assets	7	516
Borrowing costs:		
Interest		
- Senior debt – other entities	81,330	71,985
- Unsecured debt – other entities	202	155
- Interest capitalised during the year	(5,874)	(3,213)
Amortisation of deferred borrowing costs	2,378	1,448
Borrowing costs relating to debt	209	545
Borrowing costs	78,245	70,920
Depreciation of property, plant and equipment	43,148	40,302
Amortisation of master plan	224	-
Depreciation and amortisation	43,372	40,302
3. Income tax expense		
Income tax recognised in profit		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
<i>Profit from ordinary activities⁽ⁱ⁾</i>	150,372	127,399
Income tax expense calculated at 30% ⁽ⁱ⁾	45,111	38,219
<i>Permanent differences:</i>		
Non-deductible expenses	181	175
Income tax expense	45,292	38,394
Income tax expense comprises of:		
Current tax expense/(benefit)	31,263	34,971
Deferred tax expense/(benefit)	14,029	3,423
Income tax expense	45,292	38,394

⁽ⁱ⁾ Adjusted income tax expense. (Refer note 1)

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

3. Income tax (cont'd)

	Opening balance 1 July 2013 \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance 31 Dec 2013 \$'000
Gross deferred tax liabilities:				
Property, plant & equipment	232,003	4,434	-	236,437
Investment property	169,878	(26)	-	169,852
Other	1,935	40	-	1,975
	403,816	4,448	-	408,264
Gross deferred tax assets:				
Provisions & accruals	4,032	156	-	4,188
Unearned income	1,484	(55)	-	1,429
Hedge reserve	(3,822)	-	(28,329)	(39,584)
Other	182	(67)	-	115
	1,876	34	(28,329)	33,852
Net deferred tax liability	401,940	4,414	28,329	434,683

Consolidated	
31 Dec 2013 \$'000	30 June 2013 \$'000

4. Inventories

Materials and stores (at cost)	184	184
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5. Receivables

Trade receivables	59,085	43,365
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6. Other financial assets

Prepayments	2,068	266
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Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

Consolidated

	\$'000 Leasehold land	\$'000 Buildings	\$'000 Roads, runways & other infrastructure	\$'000 Plant and Equipment	\$'000 Assets under construction	\$'000 Total
7. Property, plant & equipment						
Gross carrying amount						
Balance at 30 June 2013	84,483	633,580	844,776	396,071	186,865	2,145,775
Additions	-	-	-	-	194,200	194,200
Disposals	-	(219)	-	(953)	-	(1,172)
Transfers to/(from) assets under construction	-	52,634	39,522	18,708	(110,864)	-
Balance at 31 December 2013	84,483	685,995	884,298	413,826	270,201	2,338,803
Accumulated depreciation/amortization						
Balance at 30 June 2013	10,023	181,741	213,295	195,208	-	600,267
Depreciation expense	422	12,505	13,758	16,493	-	43,148
Disposals	-	(219)	-	(919)	-	(1,138)
Balance at 31 December 2013	10,445	194,027	227,053	210,753	-	642,278
Net book value	74,038	491,968	657,245	203,073	270,201	1,696,525
As at 30 June 2013	74,460	451,839	631,481	200,863	186,865	1,545,508
As at 31 December 2013	74,038	491,968	657,245	203,073	270,201	1,696,525

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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

	Consolidated	
	31 Dec 2013 \$'000	30 June 2013 \$'000
8. Investment property		
Balance at half year period	1,085,917	1,009,782
Additions for the period	4,632	49,369
Transfer from/(to) property, plant and equipment	-	(17,105)
Net gain from fair value adjustments	-	43,871
Balance at end of period	1,090,549	1,085,917
9. Goodwill		
Goodwill at cost	671,866	671,866
10. Other capitalised costs		
Balance at beginning of period	1,772	2,211
Additions for the period	540	-
Accumulated amortisation	(224)	(439)
Balance at end of period	2,088	1,772
11. Other financial assets		
Cross currency interest rate swap	84,634	43,431
Asset Lease Premium ⁽ⁱ⁾		
Balance at beginning of period	32,049	32,049
Adjusted balance (note 1)	-	25,579
Additions for the period	3,233	6,470
Balance at the end of the period	35,282	32,049
Other financial assets	119,916	75,480

⁽ⁱ⁾ Adjusted asset lease premium at 31 December 2013. (Refer Note 1)

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

	Consolidated	
	31 Dec 2013 \$'000	30 June 2013 \$'000
12. Current payables		
Trade payables	64,294	60,582
Goods and services tax payable	1,707	1,767
Non-trade payables to:		
- Other	1,011	731
	67,012	63,080
Interest payable to:		
- Secured debt – other entities (i)	26,059	24,254
- Other	335	338
	26,394	24,592
	93,406	87,672
<i>(i) Secured by a fixed and floating charge over the consolidated entity's assets. Security given is all the assets of the operating companies. There have been no defaults on loans payable during the current or prior periods.</i>		
13. Current borrowings		
<i>Secured:</i>		
Bank debt (ii)		
- Domestic Bonds		
Fixed rate notes (6.5% 25 August 2014)	100,000	-
	100,000	-
Deferred borrowing costs	(700)	-
	(99,300)	-
<i>(ii) Secured by a fixed and floating charge over the company's assets</i>		
14. Current tax liabilities		
Income tax payable	23,457	19,132
15. Current provisions		
Employee benefits	5,552	5,592
16. Other current financial liabilities		
Interest rate swaps	4,941	8,018

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

	Consolidated	
	31 Dec 2013 \$'000	30 June 2013 \$'000
17. Non-Current borrowings		
<i>Secured:</i>		
– Senior – bank debt (i)	38,000	428,500
– Domestic bonds (i)		
Fixed rate notes (6.5% 26 August 2014)	-	100,000
Fixed rate notes (6.0% 15 December 2015) (ii)	100,000	100,000
Variable rate notes (15 December 2015) (ii)	200,000	200,000
Fixed rate notes (7.0% 26 August 2016)	250,000	250,000
Fixed rate notes (5.0% 4 June 2020)	225,000	225,000
– US Private Placements (i)		
Fixed rate US \$200m (7.5% 15 September 2021)(iii)	191,077	191,077
Fixed rate US \$200m (7.4% 15 September 2023) (iii)	191,077	191,077
Fixed rate US \$200m (7.4% 17 September 2026) (iii)	191,077	191,077
Fixed rate (5.95% 15 January 2028)	50,000	50,000
Variable rate notes (15 November 2022)	125,000	125,000
– European Private Placements		
Fixed rate (4.2% 26 September 2023) (iv)	784,929	-
	2,346,160	2,051,731
Exchange rate fluctuation	(100,967)	(16,731)
	2,245,193	2,035,000
Deferred borrowing costs	(20,496)	(9,827)
Total borrowings	2,224,697	2,025,173

- (i) Secured by a fixed and floating charge over the entity's assets
(ii) Debt subject to credit wrapping by MBIA Inc
(iii) Excludes cross currency swaps that convert the US private placement notes US \$600m into AUD.
(iv) Excludes cross currency swaps that converts the Euro note €550m into AUD.

18. Non-current payables

Non trade payables	1,202	1,202
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Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

	Consolidated	
	31 Dec 2013 \$'000	30 June 2013 \$'000
19. Deferred tax liabilities		
Balance at beginning of period	401,940	392,325
Adjusted balance (note 1)	-	9,615
Temporary differences	32,743	-
Balance at end of period	434,683	401,940
20. Non-current provisions		
Employee benefits	1,376	1,520
21. Non-current other financial liabilities		
Unearned revenue	4,130	4,415
Interest rate swaps	73,496	39,407
	77,626	43,822
22. Issued capital		
118,100,000 Ordinary shares – fully paid (30 June 2013: 118,100,000)	118,100	118,100
Fully paid ordinary shares carry one vote per share and carry the right to dividends		
23. Hedging reserve		
Balance at beginning of financial period	8,920	(60,832)
Gains/(losses) recognised on fair value adjustment:		
Interest rate swaps	94,428	99,646
Deferred tax arising on hedges	(28,329)	(29,894)
	66,099	69,752
Balance at end of period	75,019	8,920
The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.		
24. Retained earnings		
Balance at beginning of financial year	707,121	631,128
Adjustment (Note 1)	-	17,905
Balance at 1 July 2013 (restated)	707,121	649,033
Profit for the period	105,080	206,540
Dividend Paid	(79,127)	(148,452)
Balance at end of the period	733,074	707,121

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

Consolidated

31 Dec 2013	30 June 2013
\$'000	\$'000

25. Notes to the statement of cashflows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank	250,152	3,854
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(b) Financing facilities

Secured bank overdraft facility reviewed annually and payable at call:

• Amount used	-	-
• Amount unused	10,000	10,000

Secured bank bill facility reviewed annually and payable at call:

• Amount used	-	-
• Amount unused	10,000	10,000

Secured loan facilities with various maturity dates through to October 2014 and which may be extended by mutual agreement:

• Amount used	38,000	428,500
• Amount unused	607,000	466,500

Secured bond issued:

• Due 26 August 2014 - fixed	100,000	100,000
• Due 15 December 2015 – fixed MBIA wrapped (ii)	200,000	200,000
• Due 15 December 2015 – floating MBIA wrapped (ii)	100,000	100,000
• Due 26 August 2016 – fixed	250,000	250,000
• Due 4 June 2020 - fixed	225,000	225,000

US Private Placement

• US \$200m Due 15 September 2021 – fixed (i)	191,077	191,077
• US \$200m Due 15 September 2023 – fixed (i)	191,077	191,077
• US \$200m Due 15 September 2026 – fixed (i)	191,077	191,077
• Due 15 January 2028 – fixed	50,000	50,000
• Due 15 November 2022 – floating	125,000	125,000

European Private Placement

• Fixed rate (4.2% 26 September 2023) (iii)	784,929	-
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(i) Excludes cross currency swaps that convert the US private placement notes of US \$600m into AUD \$.

(ii) Debt subject to credit wrapping by MBIA Inc

(iii) Excludes cross currency swaps that convert the Euro note €550m into AUD

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the half year ended 31 December 2013

	Consolidated	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000
25. Notes to the statement of cashflows (cont'd)		
(c) <i>Reconciliation of profit/(loss) from ordinary activities after related income tax to net cash flows from operating activities</i>		
Profit from ordinary activities after related income tax	105,080	89,005
Net gain on sale of non-current assets	(64)	(22)
Amortisation of deferred borrowing costs	2,378	1,448
Capitalised interest	(5,874)	(3,213)
Depreciation and amortisation of non-current assets	43,372	40,302
Revenue reduction of lease premium (note x)	(3,233)	(3,235)
(Increase) in assets:		
Current receivables	(15,720)	(12,975)
Current inventories	-	(12)
Other current assets	(1,802)	(1,653)
Decrease/(Increase) in liabilities:		
Current trade payables	(2,829)	(3,942)
Interest payable	1,467	467
Tax payable	4,325	7,490
Current provisions	(184)	202
Non-current liabilities	(285)	(367)
Deferred tax liabilities ⁽¹⁾	4,415	3,435
Net cash provided by operating activities	131,046	116,930

⁽¹⁾ Adjusted notes to the statement of cashflows. (Refer note 1)

26. Capitalised borrowing costs

Borrowing costs capitalised during the period	5,874	3,213
Weighted average capitalisation rate on funds borrowed	7.0%	7.5%

	Consolidated	
	31 Dec 2013 \$'000	30 June 2013 \$'000
27. Commitments for expenditure		
Capital expenditure commitments		
Property, plant and equipment		
Not longer than 1 year	460,912	198,687
Longer than one year but not longer than 5 years	119,082	-
	579,994	198,687

28. Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen for the half year ended 31 December 2013 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years..