

Australia Pacific Airports Corporation Limited

Directors' Report

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 2019.

Principal activities

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

Review of operations

Financial Results:

Revenue grew 3.5% to \$1,047.1 million in 2019 compared to the previous year, generating Operating Profit of \$770.5 million and a profit after tax for the year of \$390.4 million. Melbourne Airport has reached its highest passenger milestone during the financial year, welcoming 37,395,992 travellers, 1.9% higher than the record achieved last year. International tourism experienced the most significant boost with around 11.4 million travellers flying in and out of Melbourne, a rise of 5.3% compared to the last financial year. This increase in passengers is seen in the increase in Aeronautical revenue, which increased by 6.9%.

Our non-Aeronautical businesses also showed growth, with growth in the Parking and Ground Access business driven by growth in Ground Access and the Property business having growth from tenancy agreements. Retail revenue has decreased by \$1.5 million (0.8%), with a reduction in revenue from Duty Free partially offset by additional revenue from the T2 Luxury Precinct and improved performance in Terminal 4.

Operating costs were \$276.6 million, a decrease of 0.2%. While total costs decreased due to asset write offs in FY18, there were increases in costs driven by Government mandated improvements in Security, CPI increases across all costs and increased utilities. These cost increases were partially offset by savings in Facilities Maintenance and other administration and marketing costs.

Other key highlights:

On 26 June 2019, Melbourne Airport completed the purchase of Leasehold Improvements within Terminal 1 (T1) from Qantas Group for \$276 million. From 1 July 2019, the Group will progressively take over the operations of T1. Qantas Group will continue to operate from T1 under a Terminal Operational License.

On 24 June 2019, construction commenced on expanding Melbourne Airport's airfield assets through the development of a new taxiway network worth \$300 million. This represents the largest airfield investment project since the airport's 1970 opening. The program will enable the delivery of new capacity, new routes, new terminal facilities and new levels of operational performance.

In September 2018, Melbourne Airport announced it had joined with IFM Investors, Metro Trains and Southern Cross to unveil a blueprint for the development of the Melbourne Airport Rail Link. AirRail Melbourne will be providing a proposal to the Victorian and Commonwealth Governments to build a world-class link that unlocks other rail capacity and creates thousands of jobs.

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Dividends

The Directors declared a final dividend for the year ended 30 June 2018 of \$130.14 million (\$1.10 per share) which was paid on 21 September 2018 and an interim dividend for the year ended 30 June 2019 of \$154.71 million (\$1.31 per share) was paid on 22 March 2019. The Directors determined that a final dividend for the year ending 30 June 2019 of \$277.49 million (\$2.35 per share) to be paid 26 September 2019.

Directors

The following persons were directors of the Company during the financial period and /or up to the date of this report.

Name	Position	Date appointed/resigned
Peter Hay	Chairman	1 June 2019
David Crawford AO	Chairman	30 April 2012, Resigned 31 May 2019
Lyell Strambi	Managing Director	9 November 2015
John Harvey	Director	25 March 2013
Lianne Buck	Director	14 October 2016
Michael Cummings	Director	19 March 2015
Barry Brakey	Director	25 February 2015, Resigned 29 August 2019
Danny Elia	Director	6 October 2015
David Kenny	Director	7 December 2015
James Fraser-Smith	Director	15 September 2016
Raphael Arndt	Director	29 August 2019

Peter Hay - Chairman

Mr Hay has 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 Newcrest Mining and retail property group, Vicinity. He is a former director on the boards of GUD Holdings, Novion, Myer, ANZ Bank, and Alumina.

Lyell Strambi - Managing Director and Chief Executive Officer

Mr Strambi joined APAC in September 2015. Mr Strambi has extensive aviation experience spanning more than 30 years both in Australia and overseas. Before joining APAC, Mr Strambi spent six years at Qantas, the last two as CEO of Qantas Domestic. Prior to this Mr Strambi worked for eight years at Virgin Atlantic Airways based in London.

Lianne Buck - Director

Ms Buck is the Head of Direct Investments and Infrastructure for NSW Treasury Corporation where she is responsible for a portfolio of infrastructure and property investments in excess of A\$10 billion. Ms Buck has 15 years' experience in Australian and global infrastructure, with previous roles including Investment Director at Hastings Funds Management in New York and as Chief Operating Officer of Macquarie Group's unlisted infrastructure funds.

Barry Brakey - Director

Mr Brakey was previously the Head of Property at the Australian Government Future Fund having previously operated his own property advisory business. Mr Brakey was responsible for over A\$4 billion of property invested both domestically and globally for a number of Australian government, industry and corporate superannuation and investment funds. Mr Brakey was also the past National President of the Australian Property Institute. Barry Brakey resigned as Director on 29 August 2019 and was replaced by Raphael Arndt.

David Crawford AO - Chairman

Mr Crawford has extensive experience in risk management and business reorganisation. Mr Crawford has acted as a consultant, scheme manager, receiver and manager and liquidator to very large and complex groups of companies. Currently Mr Crawford is also the Chairman of LendLease Corporation Limited and South32 Limited. Previously, he was also the Australian National Chairman of KPMG; former Chairman and Director of Fosters Group Limited; former Director of Westpac Banking Corporation Ltd and former Chairman of National Foods Limited.

John Harvey - Director

Mr Harvey was previously Chief Executive Officer of the Mt Eliza Business School and the inaugural CEO of PricewaterhouseCoopers in Australia. Mr Harvey had a 25-year career with PricewaterhouseCoopers during which he provided professional advisory services to multinational and Australian national companies and was a registered company auditor for 20 years.

Michael Cummings - Director

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.

Danny Elia - Director

Mr Elia is the Executive Director of Global 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.

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Directors (continued)

David Kenny - Director

Mr Kenny is an Investment Director, Infrastructure at AMP Capital Investors. Previously Mr Kenny worked for Ontario Teachers' Pension Plan Board (OTPP), where he was General Manager, Business Development. He also served as General Manager, Corporate Finance at Downer Infrastructure in Sydney, and worked in both Sydney and London for Macquarie Airports, where he held senior roles including that of Chief Investment Officer.

Lisa Evans - Company Secretary

Ms Evans joined APAC in 2009, with more than 20 years' legal experience. Ms Evans is the Company Secretary for APAC and its subsidiaries, and is responsible for the shared corporate services functions of the business, including human resources, safety and environment, legal services, and corporate and public affairs. Prior to joining APAC, Ms Evans held corporate legal roles in Melbourne, following ten years in private practice in both Australia and New Zealand.

Lisa Evans resigned as Company Secretary on 2 July 2019 and was replaced by Grant Devonport.

James Fraser-Smith - Director

Mr Fraser-Smith is a Director in the Infrastructure and Timberlands team at Future Fund. Mr Fraser-Smith has significant asset management experience including Board representation on a range of infrastructure assets, including Sydney Desalination Plant, ElectraNet (the South Australian transmission network), Ballarat Water, Port of Portland, Sydney Airport Link and Mater Hospital (Newcastle).

Grant Devonport - Company Secretary

Mr Devonport was appointed Chief Financial Officer of Australia Pacific Airports Corporation (APAC) in February 2019. Mr Devonport has extensive commercial experience as a CFO spanning more than 20 years across multiple industries and geographies including banking & finance, superannuation, media, transport, logistics and supply chain and retail. Mr Devonport's experience includes strategy development, execution and leading transformational change. He is a Member of the Institute of Chartered Accountants Australia and New Zealand and a Mentor for the Financial Executives Institute of Australia.

Meeting of Directors and Board Committees

The number of meetings of the Board of Directors and each Board Committee held during the year ended 30 June 2019, and the number of meetings attended by each Director is set out below:

Directors	Board of Directors		Audit and Risk Management		Finance and Projects		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
David Crawford AO	13	13	4	3	3	3	4	3
Lyell Strambi	14	14	4	4	3	3	5	5
John Harvey	14	13	4	4	*	*	*	*
Lianne Buck	14	13	*	*	3	3	5	5
Michael Cummings	14	12	*	*	*	*	5	5
Barry Brakey	14	14	4	4	3	3	*	*
Danny Elia	14	14	*	*	1	1	5	5
David Kenny	14	14	*	*	3	3	*	*
James Fraser-Smith	14	13	*	*	2	1	2	1
Peter Hay	1	1	*	*	*	*	*	*

James Fraser-Smith was not a member of the Finance and Projects Committee or Remuneration Committee but attended as an observer during the year.

Company Secretary	Board of Directors		Audit and Risk Management		Finance and Projects		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lisa Evans	14	13	4	4	3	3	5	5
Grant Devonport	4	4	1	1	-	-	-	-

Ms L. Evans resigned as Company Secretary on 2 July 2019. Mr G. Devonport was appointed as replacement on 10 July 2019.

Changes in state of affairs

Other than the acquisition of T1 leasehold improvements from Qantas Group and commencement of APAC operations within Terminal 1, there were no other significant changes in the state of affairs of the Group during the year ended 30 June 2019.

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Events occurring after balance date

On 10 July 2019, Australia Pacific Airports (Launceston) Pty Ltd extended the Senior bank debt facility (AUD \$65 million) to 30 July 2020. On 11 July 2019, Australia Pacific Airports (Melbourne) Pty Ltd issued an AUD \$100 million Bilateral loan facility. AUD \$90 million of the facility limit of AUD \$100 million was drawn on 31 July 2019.

Other than final dividend and above, there has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial periods.

Future developments

The Group's future developments and operations are included within the Master Plans of Melbourne Airport (2018) and Launceston Airport (2015). The documents 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.

The focus of the Group is on improving efficiency and safety while maximising capacity of the airport and improving the traveller experience.

Environmental regulations

In relation to environmental matters, the Group 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 year ended 30 June 2019 demonstrate compliance with the Act and the Regulations.

Like other airports around Australia, fire-fighting foams containing per- and poly- fluoroalkyl substances (PFAS) have historically been used at Melbourne and Launceston Airports. Melbourne and Launceston Airports have been working to identify and manage the presence of PFAS at both airports.

Indemnification 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.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

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.

Rounding off 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 Directors' Report is made in accordance with a resolution of Directors.



Mr P. Hay
Chairman
MELBOURNE
30 August 2019



Mr L. Strambi
Managing Director
MELBOURNE
30 August 2019

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

30 August 2019

Dear Board Members,

Auditors Independence Declaration - Australia Pacific Airports Corporation Limited

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

As lead audit partner for the audit of the financial statements of Australia Pacific Airports Corporation Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

DELOITTE TOUCHE TOHMATSU

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Samuel Vorwerg
Partner
Chartered Accountants

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australia Pacific Airports Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 2019, 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.

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

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A handwritten signature in black ink, appearing to read 'SV', with a long horizontal stroke extending to the right.

Samuel Vorweg

Partner

Chartered Accountants

Melbourne, 30 August 2019

Australia Pacific Airports Corporation Limited

Directors' Declaration

The Directors declare that:

- (a) The attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2019 and of its performance of the Group for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*;
- (b) The financial statements and notes also comply with Australian Financial Reporting Standards as disclosed in Note 1;
- (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 the Directors.

On behalf of the Directors



Mr P. Hay
Chairman

MELBOURNE
30 August 2019



Mr L. Strambi
Managing Director

MELBOURNE
30 August 2019

Australia Pacific Airports Corporation Limited

Consolidated statement of Profit and Loss and Other Comprehensive Income for the Financial Year ended 30 June 2019

	Note	Consolidated 2019 \$'000	2018 \$'000
Revenue			
- Aeronautical		427,787	400,167
- Security	5	59,520	53,602
- Retail		185,211	186,697
- Parking & Ground Access		214,055	212,197
- Property		116,843	116,326
- Outgoings/recharges		39,386	40,479
- Interest		337	218
- Other income		3,855	2,095
- Profit on sale of fixed assets		114	50
Total revenue		1,047,108	1,011,831
Less operating costs:			
- Staff costs		(55,954)	(53,167)
- Security	5	(58,308)	(52,355)
- Service and utilities		(101,338)	(100,130)
- Maintenance costs		(32,234)	(35,814)
- Administration and marketing costs		(16,549)	(14,604)
- Other costs		(12,210)	(21,135)
Total operating costs		(276,593)	(277,206)
Operating profit		770,515	734,625
Change in fair value of investment property		143,837	48,549
Depreciation and amortisation	2	(182,708)	(173,957)
Borrowing costs	2	(174,235)	(170,834)
Profit before income tax		557,409	438,384
Income tax expense	3(a)	(166,967)	(123,529)
Profit after income tax		390,442	314,855
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges, net of income tax	21	(56,494)	(34,964)
Total comprehensive income for the year		333,947	279,892
Profit for the year attributable to the owners of the Company		390,442	314,855
Total comprehensive income attributable to the owners of the Company		333,947	279,892

Notes to the financial statements are included on pages 14 to 45

Australia Pacific Airports Corporation Limited

Consolidated statement of Financial Position as at 30 June 2019

	Note	Consolidated	
		2019	2018
		\$'000	\$'000
Current Assets			
Cash and cash equivalents	26(a)	26,038	19,290
Receivables	6	135,107	131,321
Financial assets	13	-	82
Other assets	7	4,106	4,170
Accrued revenue	8	22,233	16,692
Total current assets		187,484	171,555
Non-current assets			
Property, plant and equipment	9	3,460,493	2,741,137
Investment property	10	1,416,336	1,493,862
Intangible assets	12	675,429	674,985
Financial assets	13	446,112	336,238
Other assets	7	12,095	13,860
Accrued revenue	8	117,446	87,823
Total non-current assets		6,127,911	5,347,905
Total assets		6,315,395	5,519,460
Current liabilities			
Payables	14	149,122	108,946
Borrowings	15	270,980	-
Employee benefit provisions		20,517	17,838
Financial liabilities	16	27,839	2,114
Income tax payable	3	23,174	23,886
Unearned income		6,687	3,754
Total current liabilities		498,319	156,538
Non-current liabilities			
Payables	18	1,202	1,202
Borrowings	17	4,034,082	3,727,687
Employee benefit provisions		1,563	1,645
Financial liabilities	16	137,342	62,650
Deferred tax liability	3(b)	512,520	493,763
Unearned income		9,299	4,007
Total non-current liabilities		4,696,008	4,290,954
Total liabilities		5,194,327	4,447,492
Net assets		1,121,068	1,071,968
Equity			
Issued capital	20	118,100	118,100
Hedge reserve	21	(157,239)	(100,745)
Retained earnings	22	1,160,207	1,054,613
Total equity		1,121,068	1,071,968

Notes to the financial statements are included on pages 14 to 45

Australia Pacific Airports Corporation Limited

Consolidated statement of Changes in Equity for the Financial Year ended 30 June 2019

	Consolidated			
	Issued Capital	Hedging Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	118,100	(65,782)	984,739	1,037,057
Profit for the year	-	-	314,855	314,855
<i>Other comprehensive income:</i>				
Changes in the fair value of cash flow hedges, net of income tax	-	(34,963)	-	(34,963)
Total comprehensive income for the year	-	(34,963)	314,855	279,892
Dividends paid	-	-	(244,981)	(244,981)
Balance at 30 June 2018	118,100	(100,745)	1,054,613	1,071,968
 Balance at 1 July 2018	 118,100	 (100,745)	 1,054,613	 1,071,968
Profit for the year	-	-	390,442	390,442
<i>Other comprehensive income:</i>				
Changes in the fair value of cash flow hedges, net of income tax	-	(56,494)	-	(56,494)
Total comprehensive income for the year	-	(56,494)	390,442	333,947
Dividends paid	-	-	(284,847)	(284,847)
Balance at 30 June 2019	118,100	(157,239)	1,160,207	1,121,068

Notes to the financial statements are included on pages 14 to 45

Australia Pacific Airports Corporation Limited

Consolidated statement of Cash Flows for the Financial Year ended 30 June 2019

	Note	Consolidated 2019 \$'000	2018 \$'000
<i>Cash flows from operating activities</i>			
Receipts from customers		1,120,599	1,035,227
Payments to suppliers and employees		(364,243)	(375,623)
Interest received		337	218
Interest paid		(169,398)	(167,395)
Income tax paid		(124,713)	(107,241)
Net cash provided by operating activities	26(b)	462,582	385,186
<i>Cash flows from investing activities</i>			
Payment for property, plant and equipment		(634,319)	(269,934)
Payment for investment property		(18,637)	(13,753)
Proceeds from sale of property, plant and equipment		114	50
Payments for intangible assets		(794)	(775)
Net cash used in investing activities		(653,636)	(284,412)
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		1,026,301	300,500
Repayment of borrowings		(534,500)	(160,300)
Payment for debt issue costs		(7,864)	(2,623)
Repayment of finance lease		(1,287)	(1,287)
Dividend paid		(284,847)	(244,981)
Net cash provided by / (used in) financing activities		197,803	(108,691)
Net (decrease) / increase in cash		6,749	(7,917)
<i>Cash and cash equivalents at the beginning of the year</i>		19,290	27,207
<i>Cash and cash equivalents at the end of the year</i>	26(a)	26,038	19,290

Notes to the financial statements are included on pages 14 to 45

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

1. Summary of accounting policies

Statement of compliance

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

The financial statements were authorised for issue by the Directors on 30 August 2019.

Basis of preparation

The financial report has been prepared on the basis of historical cost except for certain non-current assets and financial instruments that are measured at fair value. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. Some prior year comparative figures have been restated to align with current year presentation.

Rounding off of amounts

The Group is a company of the kind referred to in ASIC Class Order 2016/191, dated 1 April 2016, and in accordance with that Class order, amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Going Concern

As at 30 June 2019, the Group has a net current deficiency of \$310.8 million (2018: net current assets \$15.0 million). Despite the net current deficiency as at 30 June 2019, the Directors are of the view that the Group is a going concern due to the long history of profitability, committed funding and available liquidity. As at 30 June 2019, the Group had undrawn facilities of \$890.1 million comprising of \$400 million Term Bank Loans and \$490.4 million of unused revolving bank debt. On 10 July 2019, Australia Pacific Airports (Launceston) Pty. Ltd extended the Senior bank debt facility (\$65 million) to 30 July 2020.

Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (listed in Note 24) as at 30 June 2019 and the results of all subsidiaries for the year then ended. The accounting policies of the subsidiaries are consistent with the Group's accounting policies.

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

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

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

(b) Cash

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

(c) Property, plant and equipment

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

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

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

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

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

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

1. Summary of accounting policies (cont'd)

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

Useful lives of property, plant and equipment

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

(d) Investment Property

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. These valuations include the cost of capital works in progress. 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.

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

An property is transferred to or from investment property when there is a change in use.

(e) Goodwill

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

(f) Masterplan

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

(g) Impairment of assets

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

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

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

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

(h) Capitalised borrowing costs

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

(i) Investments

Investments in controlled entities are recorded at cost.

(j) Payables

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

(k) Borrowings

Borrowings are recorded at an amount equal to the net proceeds received. Borrowing costs are recognised on an accrual basis. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

1. Summary of accounting policies (cont'd)

(k) Borrowings (cont'd)

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 profit or loss statement to the extent the borrowings are unhedged and in the hedge reserve if the borrowings are effectively hedged.

(l) Provisions

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

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

(m) Superannuation

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

(n) Employee benefits

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

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

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

(o) Goods and services tax

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

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

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

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

(p) 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. Further details of derivative financial instruments are disclosed in Note 27 to the financial statements.

(q) Income tax

Current tax

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

Deferred tax

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

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

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

1. Summary of accounting policies (cont'd)

(q) Income tax (cont'd)

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

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

Current and deferred tax for the period

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

Tax consolidation

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

(r) Fair value

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are prices observable for the asset or liability, either directly or indirectly, but are not quoted prices included in Level 1;
- Level 3 inputs are unobservable inputs for the asset or liability.

(s) Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Company's presentation of, or disclosure in some areas.

The Company has initially applied AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 9 Financial Instruments (AASB 9) from 1 July 2018. The impact of these standards are described below:

AASB 9 Financial Instruments:

AASB 9 (2014) Financial Instruments (AASB 9) sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). The Group has applied AASB 9 from 1 July 2018 on a retrospective basis except for hedging, which was early adopted and has not restated comparatives.

The impact of AASB 9 on the Group's accounting policies and results is described below.

Classification and measurement of financial instruments

Whilst no changes have been made to the classification and measurement of financial liabilities, AASB 9 removes the following classification of financial assets – held to maturity, loans and receivables and available for sale. AASB 9 requires financial assets, debt and equity investments to be classified between the following measurement categories – amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

1. Summary of accounting policies (cont'd)

The classification depends on the business model for managing the financial asset and whether contractual cash flows are solely from payments of principal and interest ('SPPI'). The following table illustrates the measurement requirements of AASB 9 for debt instruments, applicable to the Group:

	Initial Recognition	Subsequent measurement
Amortised at cost	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	Measured at amortised cost using the effective interest rate method, and reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
FVTPL (Fair value through profit or loss)	Measured at fair value. Any acquisition transaction costs are recognised in the profit or loss.	These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Whilst there has been no measurement impact as a result of these changes to the Group's financial statements, changes in classification are shown below for the year ended 30 June 2019:

	Original measurement	New measurement	Original carrying amount (\$ '000)	New carrying amount (\$ '000)
Cash and cash equivalents	Loans and receivables	Amortised at cost	26,038	26,038
Trade and other receivables	Loans and receivables	Amortised at cost	135,107	135,107
Cross currency swaps	Fair value hedging instrument	Fair value hedging instrument	423,099	423,099
Borrowings	Loans and receivables	Amortised at cost	4,305,063	4,305,063

Impairment of Finance Assets

AASB 9 replaces the incurred loss model of AASB 139 with an expected credit loss (ECL) model. The ECL model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Measurement under ECLs is based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset.

The Group assessed the ECL associated with trade receivables by applying the simplified impairment approach permitted by AASB 9. This requires expected lifetime losses to be recognised from initial recognition of all financial assets. The result of the assessment is there is no impact of the new impairment model as required by AASB 9.

AASB 15 Revenue from Contracts with Customers:

AASB 15 Revenue from Contracts with Customers (AASB 15) replaces AASB 118 Revenue (AASB 118) and related interpretations and applies to all revenues arising from contracts with customers, unless the contracts are within the scope of other standards such as AASB 117 Leases. The Standard outlines the application principles to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration it expects to be entitled to in exchange for fulfilling its performance obligations to the customer.

The Group have formally applied AASB 15 from 1 July 2018. The new standard has been adopted using the cumulative effect method (without applying practical expedients). Accordingly the information presented for 2017 has not been restated and continues to be reported in line with AASB 118. The Group has performed an analysis on the impact of this standard on the revenue streams and determined that this new standard does not have a material effect on the financial report. This analysis is summarised below:

Aeronautical revenues

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 and paid on a monthly basis.

Incentives or discounts are provided 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.

There is no change to timing of revenue recognition arising from AASB 15.

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.

Security recovery revenues are billed and paid on a monthly basis.

There is no change to timing of revenue recognition arising from AASB 15.

Parking and Ground Access revenue

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 over the period of time the car parking and ground access service is provided.

There is no change to timing of revenue recognition arising from AASB 15.

AASB 15 does not apply to revenues other than from contracts from customers, and does not apply to the following revenue streams:

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

1. Summary of accounting policies (cont'd)

Retail revenues

This comprises the lease of commercial space to tenants whose activities include duty free, food and beverage, financial and advertising services. These contracts contain lease components.

Property and car rental revenues

This comprises the lease of terminal space, buildings and other space on Melbourne Airport. These contracts contain only lease components.

New standards and interpretations not yet adopted

The accounting standard that has not been early adopted for the year ended 30 June 2019 but will be applicable to the Group in future reporting periods is detailed below.

Accrued Revenue

Accrued Revenue relates to revenue earned with no cash received in the reporting period.

Accounting Standard	Requirement	Impact on financial statements
AASB 16 Leases	AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied prospectively.	No material impact expected as the Company is primarily a lessor in leasing transactions.
AASB 2019-1 Conceptual Framework for Financial Reporting	AASB 2019-1 incorporates the IASB's meaning for reporting entity and includes revised definitions and recognition criteria for assets and liabilities. Mandatory for financial years commencing on or after 1 January 2020.	Management will assess any impact on financial statements, with no material impact expected.

(t) Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Fair value of investment property

The fair value of the investment property has been arrived at on the basis of a valuation carried out by an independent valuer. The value of investment property is measured on a fair value basis utilising the discounted cash flow approach, capitalisation approach and depreciated replacement cost where applicable. These calculations require the use of assumptions, including discount rates, terminal yield and industrial and retail rental growth rates.

Impairment of goodwill

Determining whether goodwill is impaired requires an annual estimation of the value in use (or fair value less costs to dispose) of the cash generating units to which goodwill has been allocated. Fair value less cost to sell calculation is used by the Company and requires the Directors to estimate the future cash flows expected to arise from the cash generating unit and application of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating units, in order to calculate present value. These calculations require the use of assumptions and the application of sensitivity analysis where appropriate (see Note 12). The company consider Melbourne and Launceston Airports to be separate cash generating units.

The carrying amount of goodwill at 30 June 2019 was \$671,866 (2018: \$671,866). There was no impairment loss.

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$'000	\$'000
2. Profit for the year		
Profit for the year has been derived after charging the following specific expenses:		
Employee benefits expense - superannuation contributions	4,992	4,636
Impairment of assets under construction	419	5,502
Depreciation of property, plant and equipment	182,357	173,441
Amortisation of master plan	351	516
Depreciation and amortisation	182,708	173,957
Borrowing costs:		
Interest:		
- Secured debt	176,140	170,903
- Interest capitalised during the period	(7,928)	(4,509)
- Unsecured debt	742	994
- Amortisation of deferred borrowing costs	4,807	4,528
Hedge reserve unwind	(414)	(1,739)
Other costs	888	657
Total borrowing costs	174,235	170,834
3. Income tax expense		
(a) Income tax recognised in profit		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before income tax expense	557,409	438,384
Income tax expense calculated at 30%	167,223	131,515
Adjusted for:		
Non-deductible expenses	444	609
Income tax expense in respect of prior years	1,714	312
Non-Assessable Income	(259)	(618)
Recognition of property, plant and equipment deferred tax balance	-	(8,831)
Reversal of permanent benefit relating to ineligible R&D projects	-	542
Deferred tax in respect of prior years	(2,155)	-
Income tax expense	166,967	123,529

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$'000	\$'000

3. Income tax expense (cont'd)

Income tax expense comprises of:

Current tax expense	122,284	110,233
Deferred tax expense	45,124	12,984
Current tax expense in respect of prior years	1,714	(7,276)
Deferred tax in respect of prior years	(2,155)	7,588
Income tax expense	166,967	123,529

The Directors of Australia Pacific Airports Corporation Limited (head entity) have elected for those entities within the consolidated group that are wholly-owned Australian resident entities to be taxed as single entity from 1 July 2003. Accordingly, the Company became part of a tax consolidated group with effect from 1 July 2003.

(b) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

2019

	Consolidated			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:				
Property, plant & equipment	(155,971)	6,794	-	(149,177)
Accrued revenue	(31,507)	(3,885)	-	(35,392)
Investment property	(353,467)	(47,077)	-	(400,544)
Prepayments	(4,414)	600	-	(3,814)
Deferred borrowing costs	(1,814)	(3)	-	(1,817)
	(547,173)	(43,571)	-	(590,744)
Gross deferred tax assets:				
Provisions & accruals	7,325	765	-	8,090
Unearned income	2,157	(53)	-	2,104
Hedge reserve	43,176	-	24,212	67,388
Other	752	(110)	-	642
	53,410	602	24,212	78,224
Net deferred tax liability	(493,763)	(42,969)	24,212	(512,520)

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

(b) Deferred tax balances (cont'd)

	Consolidated			
2018	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:				
Property, plant & equipment	(190,277)	2,799	-	(187,478)
Investment property	(335,254)	(18,213)	-	(353,467)
Prepayments	(5,014)	600	-	(4,414)
Deferred borrowing costs	(1,810)	(4)	-	(1,814)
	(532,355)	(14,818)	-	(547,173)
Gross deferred tax assets:				
Provisions & accruals	12,464	(5,139)	-	7,325
Unearned income	2,062	95	-	2,157
Hedge reserve	28,193	-	14,983	43,176
Other	1,462	(710)	-	752
	44,181	(5,754)	14,983	53,410
Net deferred tax liability	(488,174)	(20,572)	14,983	(493,763)

	Consolidated	
	2019	2018
	\$'000	\$'000
Deferred tax liability		
Balance at beginning of the year	493,763	488,174
Temporary differences	18,757	5,589
Balance at end of the year	512,520	493,763
 Income tax payable	 (23,174)	 (23,886)

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$	\$
4. Remuneration of auditors		
<i>Deloitte Touche Tohmatsu</i>		
Auditing the financial report - statutory	265,600	228,600
Reviewing the half-year report	54,800	53,700
Auditing of regulatory accounts and compliance items	68,400	67,000
Other assurance services	13,000	12,700
	401,800	362,000
	Consolidated	
	2019	2018
	\$'000	\$'000
5. Security		
Security revenue	59,520	53,602
Security costs	(58,308)	(52,355)
	1,212	1,247
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.		
	Consolidated	
	2019	2018
	\$'000	\$'000
6. Current receivables		
Trade receivables	107,493	131,839
Less: provision for impairment loss	(677)	(518)
Net trade receivables	106,816	131,321
GST receivable	28,290	-
	135,107	131,321
Revenue is invoiced on 30 day terms, with the exception of property and rental revenue which is invoiced in advance. Most agreements allow for interest to be charged on overdue balances between 1.0% and 2.0% above overdraft rates.		
The company provides for impairment loss based on the credit quality of the trade receivable. This is calculated from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited, due to the spread and quality of the customers.		
Included in the Company's trade receivable balance are debtors with a carrying amount of \$3,907,407 (2018: \$30,787,795), which were overdue (90 days +) as at the reporting date.		
	Consolidated	
	2019	2018
	\$'000	\$'000
7. Other assets		
Current		
Prepayments	1,546	1,616
Prepaid rebates	2,000	2,000
Tenant deposits	460	460
Other	100	94
Total current	4,106	4,170
Non-current		
Prepaid rebates	12,095	13,860
Total Non-current	12,095	13,860

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$'000	\$'000
8. Accrued revenue		
Balance at the beginning of the year	104,515	73,808
New additions for the year	525	200
Balance recognised in revenue for the year	34,639	30,507
Balance at the end of the year	139,679	104,515
- Current	22,233	16,692
- Non-current	117,446	87,823

	Consolidated					
	Leasehold land	Buildings & mains services	Roads, runways & other infrastructure	Plant and equipment	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
9. Property, plant & equipment						
<i>Gross carrying amount</i>						
Balance at 1 July 2018	166,770	1,703,788	1,154,117	774,032	201,736	4,000,443
Additions	-	252,558	-	23,442	386,133	662,133
Disposals	-	-	-	(825)	-	(825)
Impairment	-	-	-	-	(419)	(419)
Transfers to/(from) investment property	59,500	167,024	-	13,476	-	240,000
Transfers to/(from) assets under construction	15,372	104,405	82,727	41,165	(243,669)	-
Balance at 30 June 2019	241,642	2,227,775	1,236,844	851,290	343,781	4,901,332
<i>Accumulated depreciation</i>						
Balance at 1 July 2018	14,828	479,284	330,431	434,764	-	1,259,307
Depreciation expense	2,298	79,641	39,290	61,128	-	182,357
Depreciation transfer	-	-	-	-	-	-
Disposals	-	-	-	(825)	-	(825)
Balance at 30 June 2019	17,126	558,925	369,721	495,067	-	1,440,839
Net book value at 30 June 2019	224,516	1,668,850	867,123	356,223	343,781	3,460,493

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

9. Property, plant & equipment (cont'd)

	Consolidated					Total
	Leasehold land	Buildings & main services	Roads, runways & other infrastructure	Plant and equipment	Assets under construction	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	133,394	1,167,740	1,544,992	732,668	153,725	3,732,519
Additions	-	-	-	-	273,612	273,612
Disposals	-	-	-	(186)	-	(186)
Impairment	-	-	-	-	(5,502)	(5,502)
Transfers between groups		446,964	(446,964)	-	-	-
Transfers to/(from) assets under construction	33,376	89,084	56,089	41,550	(220,099)	-
Balance at 30 June 2018	166,770	1,703,788	1,154,117	774,032	201,736	4,000,443
Accumulated depreciation						
Balance at 1 July 2017	13,266	311,711	388,617	372,450	-	1,086,044
Depreciation expense	1,562	46,805	62,582	62,492	-	173,441
Depreciation transfer between groups		120,768	(120,768)	-	-	-
Disposals	-	-	-	(178)	-	(178)
Balance at 30 June 2018	14,828	479,284	330,431	434,764	-	1,259,307
Net book value at 30 June 2018	151,944	1,224,505	823,685	339,268	201,736	2,741,137

Consolidated
2019 2018
\$'000 \$'000

10. Investment property

The Group classifies certain areas of the Airport precinct as investment property and they are held for rental income. These areas include Melbourne Airport business Park, Hotels, Offices, Industrial Buildings and Vacant Land.

Balance at beginning of the year	1,493,862	1,431,559
Additions for the year	18,637	13,754
Transfer (to)/from property, plant and equipment	(240,000)	-
Net gain from fair value adjustments for the year	143,837	48,549
Balance at end of the year	1,416,336	1,493,862

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

10. Investment property (cont'd)

Each investment property is valued independently (externally) in June each year as part of the annual valuation process. The valuation process requires that the independent valuer (who are approved by the Board of Directors) be appropriately qualified. For the current financial year, CBRE have conducted the valuation.

To determine fair value, the independent valuation has used the midpoint of the capitalisation of net income approach and discounted cash flow (DCF) analysis, as well as the direct comparison approach for vacant land. The valuation employs the residual value method when valuing development properties.

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	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. The cash flow analysis comprises annual income streams.
Direct comparison approach	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.

Key inputs and sensitivities

The Group has classified fair value measurements (such as those performed on investment properties) into the following hierarchy as required by AASB 13 *Fair Value Measurement*:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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:

- A capitalisation rate ranging from 5.50% to 7.75%;
- A discount rate ranging from 7.25% to 8.00%;
- A terminal yield ranging from 6.00% to 8.5%
- Market rental growth between 2.91% and 3.04%

The higher the capitalisation rate, discount rate and terminal yield, the lower the fair value. The higher the rental growth, the higher the fair value. All of the above assumptions have been taken from the latest external valuation report. The Group provided investment property (along with land and buildings in Note 9) as security for loans as disclosed in Notes 15 and 17.

Terminal 1

The Group completed the purchase of leasehold improvements related to Terminal 1 on 26 June 2019. The Group has commenced operating the Terminal under a Terminal Operational License and as such is no longer classified as investment property. The fair value at the date of transfer has been included in property, plant and equipment and will depreciate over the useful life of the assets.

11. Lease arrangements

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:

	Consolidated	
	2019	2018
	\$'000	\$'000
Within one year	247,169	241,664
Later than one year but not later than 5 years	768,746	801,351
Later than 5 years	925,594	889,495
	1,941,509	1,932,510

12. Intangible assets

	Consolidated	
	2019	2018
	\$'000	\$'000
Goodwill (i)	671,866	671,866
Masterplan (iii)	3,563	3,119
	675,429	674,985

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

12. Intangible assets (cont'd)

	Consolidated	
	2019	2018
	\$'000	\$'000
(i) <i>Goodwill</i>		
Melbourne Airport	667,700	667,700
Launceston Airport	4,166	4,166
	671,866	671,866

The recoverable amount of the cash generating units is determined by a 'fair value less cost to sell' calculation using a discounted cash flow analysis. The fair value measurement of the cash generating unit is categorised as Level 3 based on the fair value hierarchy.

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 forecast and information provided by an independent firm.

Dividends are expected to be fully franked and payout ratios are based on a range of factors including the achievement of credit metrics. Terminal value was calculated 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 2.5%.

Post-tax cash flows are discounted to their present value using a post-tax discount rate of 9.75%. The discount rate used reflects current market assessment of the time value of money and the risks specific to the CGU.

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

	Consolidated	
	2019	2018
	\$'000	\$'000
(ii) <i>Masterplan</i>		
Gross carrying amount – at cost		
Opening balance	6,025	5,250
Additions	794	775
Closing balance	6,819	6,025
Accumulated amortisation		
Opening balance	(2,906)	(2,391)
Amortisation expense	(350)	(515)
Closing balance	(3,256)	(2,906)
Net book value	3,563	3,119
Represented by:		
Launceston - FY15 to FY20 Masterplan	85	139
Melbourne - FY18 to FY23 Masterplan	3,478	2,980
	3,563	3,119

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

		Consolidated	
		2019	2018
		\$'000	\$'000
13. Financial assets			
Current			
Interest rate swaps		-	82
Total Current		-	82
Non-Current			
Cross currency interest rate swaps		446,112	336,238
Total Non-Current		446,112	336,238
		Consolidated	
		2019	2018
		\$'000	\$'000
14. Current payables			
Trade and other payables (i)		113,215	69,991
GST payable		-	2,902
		113,215	72,893
Interest payable to:			
- Secured debt – bank (ii)		35,552	35,723
- Launceston City Council		355	330
		35,907	36,053
Total Current		149,122	108,946

(i) The average credit period for purchases and services is 30 days. No interest is charged on trade payables.

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

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated 2019 \$'000	2018 \$'000
15. Current borrowings		
Secured:		
Senior - bank debt (i)	46,300	-
Domestic bonds (i)		
Fixed rate notes (5.0 % 4 June 2020)	225,000	-
Deferred borrowing costs	(320)	-
Total Current	270,980	-
<i>(ii) Secured by a fixed and floating charge over the Group's assets</i>		
Financing facilities:		
Unsecured bank overdraft facility reviewed annually:		
· Amount used	-	-
· Amount unused	21,395	20,804
Bank Debt (ii)		
· Amount used	46,300	-
· Amount unused	18,700	-
<i>(i) Secured by a fixed and floating charge over the Company's assets</i>		
<i>(ii) Refer to note 31 Subsequent Events.</i>		
	Consolidated 2019 \$'000	2018 \$'000
16. Financial liabilities		
Current		
Interest rate swaps	-	-
Forward interest rate hedge instruments	26,552	1,073
Finance Lease (i)	1,287	1,041
Total Current	27,839	2,114
Non-Current		
Interest rate swaps	68,845	42,754
Cross currency interest rate swaps	23,013	7,539
Forward interest rate hedge instruments	39,823	5,539
Finance lease (i)	5,661	6,818
Total Non-Current	137,342	62,650
<i>(i) Commitments for finance lease</i>		
	2019 \$'000	2018 \$'000
Lease Commitments		
Within one year	1,287	1,287
Later than one year but not later than five years	5,150	5,150
More than five years	10,300	11,587
Total	16,737	18,024
Lease Commitments Present Value		
Within one year	936	1,041
Later than one year but not later than five years	2,890	3,214
More than five years	3,123	3,604
Total	6,949	7,859
The above table relates to expenditure commitments under finance leases.		

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$'000	\$'000
17. Non-current borrowings		
Secured:		
– Term Bank Loans (i)	100,000	-
– Revolving bank debt (i)	600,000	254,500
– Domestic Bonds (i)		
Fixed rate notes (5.0% 4 June 2020)	-	225,000
Fixed rate notes (4.0% 15 September 2022)	250,000	250,000
Fixed rate notes (4.55% 11 November 2025)	120,000	120,000
Fixed rate notes (3.75% 4 November 2026)	200,000	200,000
– US Private Placements (i)		
Fixed rate notes US \$200m (7.8% 15 September 2021) (ii)	284,880	270,106
Fixed rate notes US \$200m (7.7% 15 September 2023) (ii)	284,880	270,106
Fixed rate notes US \$200m (7.6% 15 September 2026) (ii)	284,880	270,106
Fixed rate notes (5.95% 15 January 2028)	50,000	50,000
Fixed rate notes (5.875% 15 November 2022) (iii)	125,000	125,000
– European bonds (i)		
Variable rate notes (26 September 2023) (iv)	890,760	819,917
Fixed rate notes (5.05% 15 October 2024) (v)	566,848	521,765
Fixed rate notes (4.18% 27 September 2030) (vi)	250,398	327,280
	4,007,646	3,703,780
Financial Liabilities valued at Fair Value through profit and loss (vii)	53,023	47,313
	4,060,669	3,751,093
Deferred borrowing costs	(26,587)	(23,405)
	4,034,082	3,727,687
Amortisation of borrowing costs, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Amortisation of deferred borrowing costs	4,807	4,528
(i) Secured by a fixed and floating charge over the entity's assets		
(ii) Excludes cross currency swaps that convert the US private placement notes US \$600m into AUD		
(iii) Converted from floating to fixed rate note per agreement on 15 November 2012		
(v) Excludes cross currency swaps that converts the Euro note €350m into AUD		
(vi) Excludes cross currency swaps that converts Norwegian Krone note Kr1.5bn into AUD.		
(vii) Refer to Note 27 (q) Fair value hedges for more information		

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

17. Non-current borrowings (cont'd)	Consolidated	
	2019	2018
	\$'000	\$'000
Financing facilities:		
Term Bank loans (i)		
· Amount used	100,000	-
· Amount unused	400,000	-
Revolving Bank Debt (i)		
· Amount used	600,000	254,500
· Amount unused	450,000	810,500
(i) Secured by a fixed and floating charge over the entity's assets		
Reconciliation of Current and Non-Current Borrowings at Face Value:		
Current borrowings at Face Value	271,300	-
Non-current borrowings at Face Value	3,551,204	3,330,704
Total borrowings at Face Value	3,822,504	3,330,704
Exchange rate fluctuation	456,442	373,076
Total borrowings at Fair Value at spot rates	4,278,946	3,703,780

Net debt reconciliation	2018	Cash flows	Non-cash changes			2019
			Acquisition / refinance / reclassification / unwind	FX movement	Fair value changes	
Long-term borrowings	3,703,780	491,800	(271,300)	83,366	-	4,007,646
Short-term borrowings	-	-	271,300	-	-	271,300
Finance Lease liabilities	7,859	(1,287)	377	-	-	6,949
Assets held to hedge long-term borrowings	(279,416)	-	-	-	(8,465)	(287,881)
Total liabilities from financing activities	3,432,223	490,513	377	83,366	(8,465)	3,998,014

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$'000	\$'000
18. Non-current payables		
Undistributed capital note liability	1,202	1,202

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.

	Consolidated	
	2019	2018
	\$'000	\$'000
19. Capitalised interest charges		
Property, plant and equipment	7,506	4,327
Investment property	422	182
	7,928	4,509

	Consolidated	
	2019	2018
	\$'000	\$'000
20. Issued capital		
118,100,000 Ordinary Shares – fully paid (2018: 118,100,000)	118,100	118,100
Fully paid ordinary shares carry one vote per share and carry the right to dividends	118,100	118,100

	Consolidated	
	2019	2018
	\$'000	\$'000
21. Hedging reserve		
Balance at beginning of the year	(100,745)	(65,782)
Gain/(loss) recognised:		
- Fair value adjustment	(80,292)	(48,207)
- Deferred tax arising on cashflow hedges	24,088	14,462
- Transfer from hedge reserve to profit and loss	(414)	(1,739)
- Deferred tax arising from adjustment	124	521
	(56,494)	(34,965)
Balance at end of the year	(157,239)	(100,745)

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 hedged transaction.

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$'000	\$'000
22. Retained earnings		
Balance at beginning of the year	1,054,613	984,739
Profit for the year	390,442	314,855
Dividends paid	(284,847)	(244,981)
Balance at end of the year	1,160,207	1,054,613

	Consolidated	
	2019	2018
	\$'000	\$'000
23. Commitments for expenditure		
Not longer than 1 year	203,513	82,940
Longer than 1 year but not longer than 5 years	115,015	30
Total Property, plant and equipment commitments	318,528	82,970

24. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2019 %	2018 %
<i>Parent entity</i>			
Australia Pacific Airports Corporation Limited	Australia		
<i>Subsidiaries</i>			
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	Australia	100	100

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

(ii) This subsidiary was dormant during the financial year

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

25. Related party disclosures

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 24 to the financial statements.

(b) Key management personnel compensation

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

The key management personnel during the year were, L Strambi, G Devonport, D Hall, S Gandy, L Argus, A Gardiner, L Evans and L Horton.

	Consolidated	
	2019	2018
	\$	\$
Current Executives		
Short-term employee benefits	5,379,419	4,317,692
Long-term incentives	1,627,620	1,293,750
	7,007,039	5,611,442
Former Executives		
Short-term employee benefits	1,499,408	1,197,817
Long-term incentives	352,000	130,325
Termination benefits	477,735	-
	2,329,143	1,328,142

(c) Transactions within the wholly-owned group

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

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

(d) Transactions with Shareholders

During FY2019, AMP Capital Investors Ltd have been engaged to provide Debt Advisory services to APAM to the value of \$1,000,000. \$500,000 has been incurred as at 30 June 2019 and is included within Trade and other payables. The Further \$500,000 is at Management and Board discretion. AMP Capital Investors Ltd, being a shareholder, are considered to be a related party.

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$'000	\$'000
26. Notes to the Statement of Cash Flows		
<i>(a) Reconciliation of cash</i>		
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 as follows:		
Cash and cash equivalents	26,038	19,290
<i>(b) Reconciliation of profit after related income tax to net cash flows from operating activities:</i>		
Profit for the year	390,442	314,855
Net profit on sale of non-current assets	(114)	(50)
Gain on investment property	(143,837)	(48,549)
Impairment of property, plant and equipment	419	5,502
Amortisation of deferred borrowing costs	4,807	4,528
Hedge reserve unwind	(414)	(1,739)
Depreciation and amortisation of non-current assets	182,708	173,956
Deferred tax liabilities	42,845	20,572
Receivables	(3,785)	(47,106)
Other current assets	64	989
Other non-current assets	1,765	1,998
Accrued revenue	(35,164)	(30,706)
Payables	12,294	(7,328)
Interest payable	444	651
Tax payable	(715)	(3,696)
Employee benefits provision	2,599	992
Unearned income	8,226	317
Net cash provided by operating activities	462,582	385,186

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments

(a) Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 15 and 17, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings as disclosed in Notes 20, 21 and 22 respectively. In addition, the Group has implemented risk management strategies to mitigate against adverse increases to interest rates on future borrowings.

During the financial year the Group has complied with all imposed capital requirements including bank covenants.

(b) Significant accounting policies

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

(c) Categories of financial instruments

				Consolidated 2019 \$'000	2018 \$'000
	At amortised cost	At fair value through P&L	At fair value through OCI	Total	Total
Financial Assets					
Cash and cash equivalents	26,038	-	-	26,038	19,290
Loans and receivables:					
Trade receivables	107,493	-	-	107,493	131,321
GST receivable	28,290	-	-	28,290	-
Tax receivable	-	-	-	-	-
Non-current cross currency interest rate swaps	-	52,491	393,621	446,112	336,238
Current interest rate swaps	-	-	-	-	82
Non-current interest rate swaps	-	-	-	-	-
Current forward interest rate hedge instruments	-	-	-	-	-
Non-current forward interest rate hedge instruments	-	-	-	-	-
	161,820	52,491	393,621	607,933	486,931
Financial Liabilities					
Trade payables	113,215	-	-	113,215	69,991
GST payable	-	-	-	-	2,902
Tax payable	-	-	-	-	-
Interest payable	35,907	-	-	35,907	36,053
Current interest rate swaps	-	-	-	-	-
Borrowings	4,252,038	53,023	-	4,305,061	3,727,687
Non-current payables	1,202	-	-	1,202	1,202
Non-current interest rate swaps	-	-	68,845	68,845	42,754
Non-current cross currency interest rate swaps	-	-	23,013	23,013	7,539
Current forward interest rate hedge instruments	-	-	26,552	26,552	1,073
Non-current forward interest rate hedge instruments	-	-	39,823	39,823	5,539
Finance leases	6,949	-	-	6,949	7,859
	4,409,312	53,023	158,233	4,620,567	3,902,599

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments (cont'd)

(d) Financial risk management objectives

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

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.

(e) Interest rate risk management

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

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

(f) Interest rate sensitivity

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

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

- Net profit would increase/decrease by \$1,836,000 (2018: increase/decrease by \$845,000). This is due to interest rates on its variable rate borrowings.
- Other equity reserves would increase/decrease by \$15,469,000 (2018: increase/decrease \$8,616,000) mainly as a result of the changes in fair value through other comprehensive income (FVOCI) for fixed rate instruments.

The Group has no material interest revenue.

(g) Cross currency sensitivity

Foreign currency exposures are predominantly hedged through a combination of fair value and cash flow hedges. The impact of foreign currency movements to the profit or loss and cash flow reserve, and sensitivity to such movements, is therefore not significant. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's other equity reserves would increase/decrease by \$16,655,000 (2018: increase/decrease \$20,580,000) mainly as a result of the changes in fair value in fair value through other comprehensive income (FVOCI) for fixed rate instruments.

(h) 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.

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments (cont'd)

(h) Interest rate derivative contracts (cont'd)

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

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value of interest rate derivatives	
	2019	2018	2019	2018	2019	2018
	%	%	\$'000	\$'000	\$'000	\$'000
Consolidated						
Less than 1 year	-	3.7	-	100,000	-	82
1 to 2 years	-	-	-	-	-	-
2 to 5 years	4.2	-	729,000	-	(68,845)	-
5 years +	3.5	4.3	659,000	1,218,000	(66,374)	(49,366)
			1,388,000	1,318,000	(135,219)	(49,284)

The fair value of these contracts as at 30 June 2019 is disclosed in Notes 13 and 16.

(i) Foreign currency risk management

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

(j) Foreign currency exchange contracts

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

Outstanding Contracts	Average	Foreign	Notional Principal	Fair Value of Cross currency interest rate
Consolidated 2019		FC'000	\$'000	\$'000
USD 5 years+	0.7021	600,000	573,230	224,739
EUR 5 years+	0.6175	900,000	1,289,979	221,372
NOK 5 years+	5.9905	1,500,000	242,994	(23,013)
			2,106,203	423,098

Outstanding Contracts	Average	Foreign	Notional Principal	Fair Value of Cross currency interest rate
Consolidated 2018		FC'000	\$'000	\$'000
USD 5 years+	0.7405	600,000	573,230	156,291
EUR 5 years+	0.6337	900,000	1,289,979	179,947
NOK 5 years+	6.0306	1,500,000	242,994	(7,539)
			2,106,203	328,699

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Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments (cont'd)

(k) Liquidity risk

The following table details the Group's exposure to liquidity risk as at 30 June 2019.

2019	Weighted average effective interest rate %	1-3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial Assets						
Current receivables	-	102,909	3,907	-	-	106,816
Cash and cash equivalents	-	26,038	-	-	-	26,038
Cross currency interest rate swaps	-	-	-	345,917	100,195	446,112
Total		128,947	3,907	345,917	100,195	578,967
Financial Liabilities						
Current trade payables	-	113,215	-	-	-	113,215
Interest payable	-	35,907	-	-	-	35,907
Term Bank loans	2.74	-	-	-	100,000	100,000
Revolving Bank loans	2.70	-	46,300	600,000	-	646,300
Domestic bonds:						
– Fixed rate notes (4 June 2020)	5.00	-	225,000	-	-	225,000
– Fixed rate notes (15 September 2022)	4.00	-	-	250,000	-	250,000
– Fixed rate notes (11 November 2025)	4.55	-	-	-	120,000	120,000
– Fixed rate notes (4 November 2026)	3.75	-	-	-	200,000	200,000
US Private Placement:						
US \$200m Due 15 Sep 2021 – fixed (i)	7.81	-	-	284,880	-	284,880
US \$200m Due 15 Sep 2023 – fixed (i)	7.67	-	-	284,880	-	284,880
US \$200m Due 15 Sep 2026 – fixed (i)	7.63	-	-	-	284,880	284,880
Fixed rate (15 January 2028)	5.95	-	-	-	50,000	50,000
Fixed rate (15 November 2022)	5.88	-	-	125,000	-	125,000
European Bonds:						
Variable rate notes (26 Sep 2023) (ii)	5.12	-	-	890,760	-	890,760
Fixed rate (15 October 2024) (iii)	5.05	-	-	-	566,848	566,848
Fixed rate notes (27 September 2030) (iv)	4.18	-	-	-	250,398	250,398
Cross currency interest rate swaps	-	-	-	-	23,013	23,013
Interest rate swaps	-	-	-	68,845	-	68,845
Forward interest rate hedge instruments	-	-	-	-	66,374	66,374
Finance lease		234	702	2,890	3,123	6,949
Total	5.31	149,356	272,002	2,507,255	1,664,636	4,593,249

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

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

(iii) Excludes cross currency swaps that convert Euro Note €350m into AUD

(iv) Excludes cross currency swaps that converts Norwegian Krone note Kr1.5bn into AUD.

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Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments (cont'd)

(k) Liquidity risk (cont'd)

The following table details the Group's exposure to liquidity risk as at 30 June 2018.

2018	Weighted average effective interest rate %	1-3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Financial Assets						
Current receivables	-	98,193	33,128	-	-	131,321
Cash and cash equivalents	-	19,290	-	-	-	19,290
Cross currency interest rate swaps	-	-	-	59,797	276,441	336,238
Interest rate swaps	-	82	-	-	-	82
Total		117,565	33,128	59,797	276,441	486,931
Financial Liabilities						
Current trade payables	-	69,991	-	-	-	69,991
Interest payable	-	36,053	-	-	-	36,053
Bank loans	2.60	-	-	254,500	-	254,500
Domestic bonds:						
– Fixed rate notes (4 June 2020)	5.00	-	-	225,000	-	225,000
– Fixed rate notes (15 September 2022)	4.00	-	-	250,000	-	250,000
– Fixed rate notes (11 November 2025)	4.55	-	-	-	120,000	120,000
– Fixed rate notes (4 November 2026)	3.75	-	-	-	200,000	200,000
US Private Placement:						
US \$200m Due 15 Sep 2021 – fixed (i)	7.81	-	-	270,106	-	270,106
US \$200m Due 15 Sep 2023 – fixed (i)	7.67	-	-	-	270,106	270,106
US \$200m Due 15 Sep 2026 – fixed (i)	7.63	-	-	-	270,106	270,106
Fixed rate (15 January 2028) (iii)	5.95	-	-	-	50,000	50,000
Fixed rate (15 November 2022)	5.88	-	-	-	125,000	125,000
European Bonds:						
Variable rate notes (26 Sep 2023) (ii)	5.01	-	-	-	867,919	867,919
Fixed rate (15 October 2024) (iii)	5.05	-	-	-	552,312	552,312
Fixed rate notes (27 September 2030) (iv)	4.18	-	-	-	248,732	248,732
Cross currency interest rate swaps	-	-	-	-	7,539	7,539
Interest rate swaps	-	-	-	42,754	-	42,754
Forward interest rate hedge instruments	-	1,073	-	5,539	-	6,612
Finance lease	-	260	781	3,214	3,734	7,989
Total	5.31	107,377	781	1,051,113	2,715,448	3,874,719

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

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

(iii) Excludes cross currency swaps that convert Euro Note €350m into AUD

(iv) Excludes cross currency swaps that converts Norwegian Krone note Kr1.5bn into AUD.

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments (cont'd)

(l) Credit risk management

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

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

(m) Fair value

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

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

Financial liabilities	Carrying amount		Net fair value	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Borrowings - other entities	1,202	1,202	10,967	10,600

All of the Group's financial instruments measured, recognised and disclosed at fair value were valued using market observable inputs (Level 2), as defined in note 1(t). There

(n) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the 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.

(o) 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 long-term borrowings.

(p) 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.

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.

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments (cont'd)

(q) 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 the Profit or Loss over the remaining maturity of the borrowing.

The Consolidated Entities 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 solely to the issue of cross currency swaps over the European bonds (26 September 2023) as it is the only instrument with a fair value hedge.

	2019	2018
	\$'000	\$'000
Fixed rate instruments		
Face value	784,929	784,929
FX adjustments	105,831	82,989
Cumulative fair value hedge adjustments	53,023	47,313
Carrying amount	943,783	915,231

(r) 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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Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments (cont'd)

(r) Cash flow hedges (cont'd)

All of the Group's cash flow hedges are in effective hedge relationships on the basis that the critical terms of the hedging instrument and hedged item are aligned (including face values, cash flows and currency). During the year, there has been no material ineffectiveness attributable to the Group's cash flow hedges.

Balance Sheet	Notional Amount of the Hedging Instrument \$'000	Carrying Amount of the Hedging Instrument		Line Item of the Statement of Financial Position where the hedging instrument is located	
		Assets \$'000	Liabilities \$'000		
2019					
Cross-currency swaps:					
Fair value hedge		460,929	52,491	-	Financial assets
Cash flow hedge		2,106,204	393,621	23,013	Financial assets / Financial liabilities
Interest rate swaps		729,000	-	68,845	Financial liabilities
Forward interest rate hedge		659,000	-	66,374	Financial liabilities
2018					
Cross-currency swaps:					
Fair value hedge		460,929	46,367	-	Financial assets
Cash flow hedge		2,106,204	289,871	7,539	Financial assets / Financial liabilities
Interest rate swaps		784,929	82	42,754	Financial assets / Financial liabilities
Forward interest rate hedge		894,000	-	6,612	Financial liabilities

Income Statement	Cumulative changes in value of hedging instrument used for calculating hedge ineffectiveness	Cumulative changes in value of hedging item used for calculating hedge ineffectiveness	Cash flow hedge reserve at 30 June 2019	Hedge ineffectiveness recognised in Income Statement
	Gain/(loss)	Gain/(loss)	Gain/(loss)	Gain/(loss)
2019				
<i>Cash flow hedges</i>				
Interest rate and foreign exchange rate risk on cross currency swaps	370,608	377,636	(85,841)	-
Interest rate risk on floating rate borrowings	135,219	136,676	135,219	-

Income Statement	Ineffectiveness recognised in Income Statement	Line item of the Income Statement that includes hedge ineffectiveness
	Gain/(loss)	
<i>Fair value hedges</i>		
Interest rate risk	531	Borrowing costs

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

27. Financial instruments (cont'd)

(r) Cash flow hedges (cont'd)

Income Statement		Cumulative changes in value of hedging instrument used for calculating hedge ineffectiveness	Cumulative changes in value of hedging item used for calculating hedge ineffectiveness	Cash flow hedge reserve at 30 June 2018	Hedge ineffectiveness recognised in Income Statement
		Gain/(loss)	Gain/(loss)	Gain/(loss)	Gain/(loss)
2018					
<i>Cash flow hedges</i>					
Interest rate and foreign exchange rate risk on cross currency swaps		282,332	299,022	(90,744)	-
Interest rate risk on floating rate borrowings		49,284	50,261	49,284	-

Income Statement				Ineffectiveness recognised in Income Statement	Line item of the Income Statement that includes hedge ineffectiveness
				Gain/(loss)	
<i>Fair value hedges</i>					
Interest rate risk				945	Borrowing costs

The following table details the expected transfer of the cash flow hedge reserve to the profit and loss:

Current Hedges	0 to 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Transfer to borrowing costs in profit and loss	28,086	28,086	74,293	24,274	154,739

The expected transfer is based on Mark-to-Market as at 30 June 2019, and represents expected transfer to Profit and Loss in the form of borrowing costs as cashflows of associated derivatives are being paid.

Australia Pacific Airports Corporation Limited

Notes to the Consolidated Financial Statements for the Financial Year ended 30 June 2019

	Consolidated	
	2019	2018
	\$'000	\$'000
28. Dividends		
Fully franked dividends paid during the financial year (refer to Director's Report for details)	284,847	244,981
(2019: \$2.41 per share, 2018: \$2.07 per share)		
Franking account	40,598	30,207
29. Company disclosures		
(a) Financial position:		
Assets:		
Current assets	19,955	19,396
Non-current assets	128,032	127,995
Total assets	147,987	147,390
Liabilities:		
Current liabilities	7	-
Non-Current liabilities	-	-
Total liabilities	7	-
Net assets	147,980	147,390
Equity:		
Issued capital	118,100	118,100
Retained earnings	29,880	29,290
Total equity	147,980	147,390
(b) Financial performance		
Loss for the year	285,328	244,912
Other comprehensive income	-	-
Total other comprehensive income	285,328	244,912
(c) Non balance sheet commitments:		
Guarantees of debt	-	-
Contingent liabilities	-	-
Commitments for the acquisition of property, plant and equipment by the parent company	-	-

30. Contingent liabilities

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

31. Subsequent events

The Directors determined a final dividend for the year ending 30 June 2019 of \$277,489,000 (\$2.35 per share) to be paid 26 September 2019.

On 10 July 2019, Australia Pacific Airports (Launceston) Pty Ltd extended the Senior bank debt facility (AUD\$65 million) to 31 July 2020.

On 11 July 2019, Australia Pacific Airports (Melbourne) Pty Ltd issued an AUD\$100 million Bilateral loan facility. AUD\$90 million of the facility limit of AUD\$100m was drawn on 31 July 2019.

32. Additional company information

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

Principal Registered Office and Principal Place of Business

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