AUSTRALIA PACIFIC AIRPORTS CORPORATION ANNUAL REPORT 2013

ABOUT APAC

Australia Pacific Airports Corporation Limited (APAC) operates two key Australian aviation assets, Melbourne Airport and Launceston Airport. APAC acquired the lease for Melbourne Airport in July 1997. The Launceston Airport lease was acquired shortly after (May 1998) in partnership with the Launceston City Council. Both airports are operated under a 50 year long-term lease from the Federal Government, with an option for a further 49 years. APAC has demonstrated consistent growth since its inception in 1997. Strong management and diverse revenue streams continue to enable APAC to capitalise on opportunities and deliver aviation excellence.

OWNERSHIP

APAC is a privately held corporation owned by institutional investors, predominantly superannuation/pension funds, managed or represented by the following five entities:

AMP 28.54%

IFM Investors 23.67%

Deutsche Australia Ltd 19.97%

Future Fund 19.12%

Hastings Funds Management 8.70%

Australia Pacific Airports Corporation Ltd
ABN 89 069 775 266

PURPOSE TO RESPONSIBLY DEVELOP A GROWING AND PROFITABLE AIRPORT GROUP IN THE ASIA PACIFIC REGION.

OBJECTIVE TO BE THE MOST SUCCESSFUL AIRPORT GROUP IN THE ASIA PACIFIC REGION.

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AUSTRALIA PACIFIC AIRPORTS CORPORATION ANNUAL REPORT 2013

HIGHLIGHTS

TOTAL REVENUE: **$642M** ↑9%

OPERATING PROFIT: **$470M** ↑8%

NET PROFIT: **$202M** ↑19%

CAPITAL EXPENDITURE: **$254M** ↑22%

*All statistics = millions

MILESTONE **100 MILLIONTH** INTERNATIONAL PASSENGER

MILESTONE MELBOURNE BECAME **AUSTRALIA'S LARGEST EXPORTER** OF AIR FREIGHT

MILESTONE MORE THAN **$100M INVESTED** IN MELBOURNE'S BUSINESS PARK

MELBOURNE PASSENGERS: **29.9M** ↑6%

LAUNCESTON PASSENGERS: **1.22M** ↑8%

MELBOURNE INTERNATIONAL PASSENGERS: **7.1M** ↑5%

MELBOURNE INTERNATIONAL SEAT CAPACITY ↑5%

CHAIRMAN'S MESSAGE

Airports connect people and businesses to the world and they are also significant contributors to the economic, social and cultural well-being of the regions they serve.

At Australia Pacific Airports Corporation, (APAC) we strive to responsibly develop growing and profitable airports.

To achieve this objective, our airports facilitate the safe and successful movement of tens of millions of people and hundreds of thousands of aircraft movements every year. As the demand for air travel in Australia grows, we will continue to provide the access and infrastructure necessary to support that increasing demand.

This annual report highlights what we do today and also outlines the significant activities we have planned for the future.

Every year, Melbourne Airport contributes $1.4 billion to Victoria's Gross State Product (GSP) and directly supports more than 14,000 jobs.

In Melbourne, we celebrated the 100 millionth international passenger to travel through Melbourne Airport as research showed that every international flight landing in Melbourne injects $240,000 into Victoria's economy.

We are also a significant gateway for trade.

This year, Melbourne overtook Sydney as the leading airport for air freight exports accounting for almost 40 per cent of Australia's total air freight exports. Melbourne is the freight gateway for Victoria as well as Tasmania, South Australia and southern New South Wales.

This achievement is testament to the success of our farmers and manufacturers in winning new markets and is also supported by the growing number of international services and destinations that are now directly connected to Melbourne.

Melbourne's curfew free operations continue to drive growth. Every year, Melbourne's curfew free status allows the movement of an additional two million passengers and adds $590 million to the Victorian economy through visitor spending every year.

APAC's international services include a growing number of direct flights to key markets in Asia. While China remains a significant driver of growth in the region, other markets such as India, Hong Kong and Taiwan also offer great potential.

In this context, it is essential that we continue to negotiate more capacity for air services between Australia and these markets which are continuing to grow.

As many of you who travel through our airports know, they are undergoing constant renewal as we upgrade our facilities and invest in new infrastructure. In Melbourne particularly, the tempo has quickened over the past year, and will continue to gather pace in the years ahead.

We have been busy on our airfields, in our terminal buildings, and on our landside roads.

Our total capital expenditure over the past year was $254 million – a 22% increase on the previous year. It was the highest annual capital expenditure over the past decade, however there is much more to come.

Our capital expenditure in the coming year is forecast to be approximately half a billion dollars as we undertake upgrades at Launceston and we embark on the largest transformation of Melbourne Airport since it opened more than 40 years ago.

These are exciting times as we transform our airports to continue to serve the needs of Melbourne and Launceston for the decades ahead.

They will also be challenging times, as major construction projects are delivered at operating airports, including Melbourne which is open 24 hours a day.

I am confident that through ongoing consultation, forward planning and responsible operation we will successfully deliver these important projects that will support the growth of the airports, our businesses, and our communities into the future.

To the teams at Melbourne and Launceston airports, as well as to our customers, service providers, contractors and stakeholders – thank you for your hard work and support in achieving the results of the past year, and we look forward to continuing the journey with you in the year ahead and beyond.

David Crawford AO

CEO'S MESSAGE

This year was a milestone year for APAC as we laid the foundations for the largest transformation at Melbourne Airport since it opened more than forty years ago. We have started planning and delivering projects in both Melbourne and Launceston to meet the growing demand for aviation services in Victoria and Tasmania for the years and decades ahead.

It was also another year of changes and challenges in the Australian aviation industry with new brands, new people, new ownership arrangements and new alliances.

We continued to improve our infrastructure and facilities as well as delivered the level of service expected by our airline customers, suppliers, stakeholders and passengers.

Total passengers travelling through our airports increased in 2012/13 to more than 31 million due to increases of 6 per cent and 8 per cent at Melbourne and Launceston respectively.

At Melbourne, international passengers grew by 5 per cent. These results were driven by growth in Chinese passengers and included other Asian growth markets such as Taiwan, Malaysia, Hong Kong and Vietnam.

We celebrated the milestone of Melbourne's 100 millionth international passenger this year, and fittingly, the destination of that passenger was Asia. New Zealand however remains our largest source of international passengers.

The demand for travel is being well met by our airline customers. We warmly welcomed Sichuan Airlines to Melbourne, as they launched direct flights between Melbourne and the western city of Chengdu. Emirates, Singapore Airlines and Jetstar expanded services and ten more airlines increased capacity on their Melbourne routes.

There are a number of external factors that influence our performance. Bilateral air service agreements are the lifeblood of international aviation, and the Government and its agencies must negotiate more capacity in these agreements so that we can all realise the opportunities for growth in our key Asian markets.

This year Melbourne overtook Sydney to become Australia's largest air freight exporter, confirming Victoria as Australia's freight state. Driven by growth in international passengers and underpinned by Melbourne's curfew free operations, we are supporting Victoria's vision of becoming Asia's food bowl as regional Victoria, Tasmania and south-east Australia are provided unprecedented access to critical export markets.

Improving service to passengers, airlines, suppliers and stakeholders was a focus throughout the year. We are seeing the results of that focus with Melbourne the first airport to be accredited to an International Customer Service Standard. We will continue to look at innovative ways to improve service, including through the introduction of new technology.

We continued to deliver on key expansion projects throughout the year.

In Melbourne, ground access remains an area of concern and to address this, we redeveloped one of the most congested and keenly contested areas in the precinct, the main terminal forecourt, as well as undertook significant road upgrades and expansions.

With 60 million passengers forecast to travel through Melbourne by 2030, a rail link is a priority and we will continue to work with the State Government and its agencies to progress this. It is however not the only access improvement needed to meet traffic demands so we will also continue talking to the State Government about other opportunities, including the expansion of the Tullamarine Freeway.

We also continued planning for the future with the development of Melbourne's Master Plan. Submitted to the Federal Government for approval, the Master Plan outlines our vision for Melbourne focusing on two key projects, the elevated loop road network the and third runway. Our consultation process has seen robust engagement with the community, which we will continue as we progress through the approval process for both of these critical projects.

As our construction program accelerates in both Melbourne and Launceston, so too does our focus on safety and security. I am pleased to report that in Melbourne, 664,000 construction man hours were worked throughout the year without any lost time injuries. Providing a safe and secure environment for our passengers, staff and visitors is one of the most important things we do and we will continue to make this a priority.

Our airports are critical pieces of national infrastructure and they are also economic and employment hubs that support the economic, social and cultural well-being of their respective states.

Together with our airline customers and service providers, our capable and committed teams at Melbourne and Launceston support the safe facilitation of more than 30 million passengers and 215,000 aircraft movement every year.

On behalf of the APAC Board, I thank my team for their ongoing commitment and efforts to support APAC, as well as their respective states of Victoria and Tasmania which they so ably represent.

Chris Woodruff

BOARD OF DIRECTORS

David Crawford AO
CHAIRMAN

Appointed 30 April 2012

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

Chris Woodruff
MANAGING DIRECTOR

Appointed 31 August 2007

Mr Woodruff is Chief Executive Officer and Managing Director of Melbourne Airport and Launceston Airport.

Kyle Mangini
DIRECTOR

Appointed 16 October 2009

Mr Mangini is Head of Infrastructure and Specialised Funds at IFM.

John Harvey
DIRECTOR

Appointed 2 May 2011
Resigned 15 February 2013
Reappointed 25 March 2013

Mr Harvey is an independent Director appointed by IFM Investors. Mr Harvey is a professional director having served on a number of public and private company boards.

Richard Hedley
DIRECTOR

Appointed 16 June 2008
Resigned 30 August 2010
Re-appointed 2 May 2011

Mr Hedley is a Director of Deutsche Asset & Wealth Management.

Mar Beltran
DIRECTOR

Appointed 27 August 2012

Ms Beltram is a Portfolio Manager at AMP Capital.

Bryan Hynes
DIRECTOR

Appointed 21 June 2013

Mr Hynes is the Managing Director of AMP Capital Shopping Centres.

Nadine Lennie
DIRECTOR

Appointed 20 January 2011

Ms Lennie is a Director of Infrastructure and Timberland at the Future Fund.

SECRETARY

Lisa Evans
GENERAL COUNSEL AND COMPANY SECRETARY

Appointed 27 April 2009

Ms Evans is APAC's General Counsel.

RESIGNED

Andrew Fellowes
DIRECTOR

Appointed 7 April 2011
Resigned 13 March 2013

Paul Breen
DIRECTOR

Appointed 6 July 2011
Resigned 22 May 2013

EXECUTIVE LEADERSHIP TEAM

Chris Woodruff
CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Mr Woodruff joined APAC in 2007. He has held a number of senior management positions within BAA at Heathrow, Gatwick and Budapest airports. Mr Woodruff is also on the Board of the Melbourne Convention & Visitors Bureau.

Adam Watson
CHIEF FINANCIAL OFFICER

Mr Watson joined APAC in October 2012 following a career with BlueScope Steel Limited where he held a number of senior executive roles within Australia and the United States. Prior to joining BlueScope, Mr Watson held various senior roles at Spotless Group Limited.

Lisa Evans
GENERAL COUNSEL & COMPANY SECRETARY

Ms Evans joined APAC in 2009. Previous roles include Senior Legal Counsel at Symbion Health Ltd (formerly Mayne Group), following 10 years in private practice in Australia and New Zealand.

Nathan Agnew
EXECUTIVE GENERAL MANAGER, CORPORATE & AERONAUTICAL DEVELOPMENT

Mr Agnew joined APAC in 2009. Mr Agnew has also held senior roles within Air New Zealand as well as senior advisory roles at Qantas, Ansett and Air New Zealand. Mr Agnew has also advised Rio Tinto and Woodside on capital expansion planning.

Simon Gandy
EXECUTIVE GENERAL MANAGER, MELBOURNE AIRPORT GROUP

Mr Gandy joined APAC in 2007. Mr Gandy previously held a number of senior leadership roles within BAA at both Heathrow and Gatwick airports. Mr Gandy joined Melbourne Airport in 2007.

Colleen Newsome
EXECUTIVE GENERAL MANAGER, PEOPLE & PERFORMANCE

Ms Newsome has been responsible for APAC's organisational design and people capabilities for 14 years and has been with APAC for more than 15 years. Ms Newsome is also responsible for APAC's occupational health, safety and environmental performance.

Daniel Cappell
GENERAL MANAGER, RETAIL & CAR PARKS

Appointed 1 July, 2013

Prior to joining APAC, Mr Cappell held senior roles at Abu Dhabi Airports Company in retail and commercial development. Prior to joining Abu Dhabi Airports Company, Mr Capell spent 22 years with Nestle SA including managing Nestle's global travel retail business.

Carly Dixon
GENERAL MANAGER, CORPORATE & PUBLIC AFFAIRS

Appointed 6 August, 2013

Ms Dixon has over 12 years' experience in public affairs, communications and policy roles within the public and private sectors. Ms Dixon has worked as a policy advisor to Victorian State Parliamentarians and Commonwealth Cabinet Ministers.

Pamela Graham
GENERAL MANAGER, LAUNCESTON AIRPORT

Ms Graham has more than 29 years' experience in aviation beginning at Perth Airport before transferring to Melbourne in 1987. Integral to the transfer of ownership from the Federal Airports Corporation to APAC, Ms Graham is currently Chairman of Business Events Tasmania Board, and a Director of Launceston Chamber of Commerce, and the Tourism Industry Council of Tasmania.

Linc Horton
GENERAL MANAGER, PROPERTY

Mr Horton joined APAC in 2008 and has over 16 years' experience in property and investment. Prior to joining APAC, Mr Horton held senior roles with BAA Lynton and Threadneedle Property Investment.

Bryan Thompson
GENERAL MANAGER, STRATEGY, PLANNING & DEVELOPMENT

Mr Thompson joined APAC in 2010. His previous experience includes various operational and planning roles in some of the world's largest and most challenging airport operating environments including Mumbai International Airport and Johannesburg International Airport.

GROWING THE BUSINESS

Growing Capacity

Key achievements for the 2012/13 year include:

Melbourne

> Total passengers grew by 6 per cent to reach 29.9 million.

> International passengers grew by 5 per cent to reach 7.1 million.

> Melbourne celebrated its 100 millionth international passenger

> The Asia-Pacific region continued to lead international passenger growth with the key markets of China, Taiwan, Hong Kong, Vietnam and India all growing by more than 10 per cent.

> New Zealand remained Melbourne's largest source of international passengers.

> International airlines supported the growth of Melbourne with a 5 per cent increase in international seat capacity.

> Additional services or increased frequencies introduced during the year included:

- A daily A380 Emirates service between Melbourne, Dubai and Auckland.
- A fourth daily Singapore Airlines service between Melbourne and Singapore.
- Direct Sichuan Airlines services between Melbourne and Chengdu, one of Western China's fastest growing regions.
- Direct Jetstar services to Honolulu.
- Increased capacity by 10 other international airlines including Qantas, Air New Zealand, Virgin Australia, China Eastern and China Southern.

Launceston

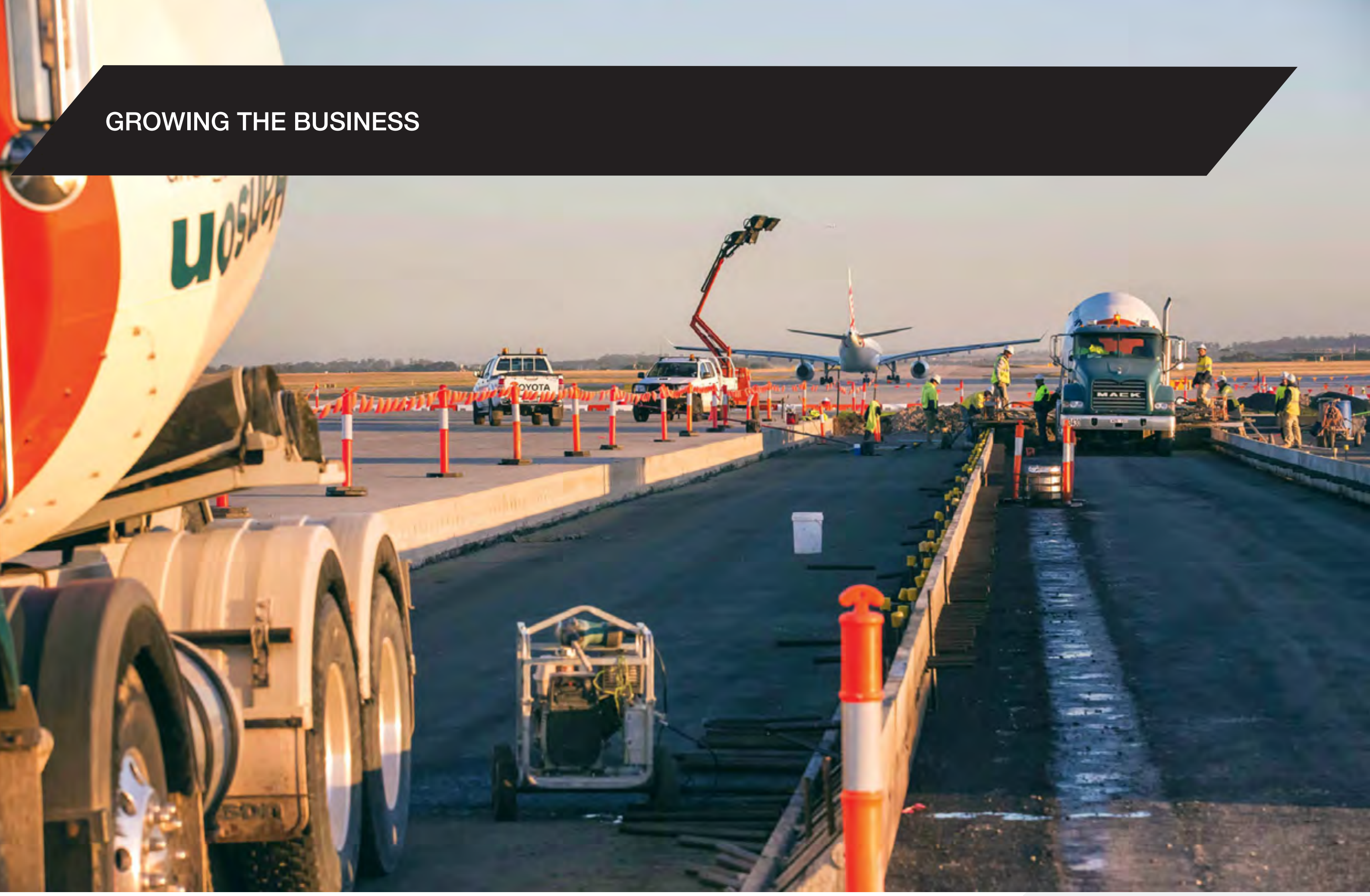
> Total passengers grew by 8 per cent to reach a record annual total of 1.22 million passengers.

> Jetstar and Qantas introduced additional services to and from Launceston over the summer period, supporting strong passenger growth.

> Sharp Airlines relocated to a new terminal facility, and also introduced a new service to King and Flinders Islands in July.

Aviation continued to be a dynamic industry with the year delivering new brands, new people, new ownership arrangements and new alliances.

The year was also a milestone as Melbourne Airport laid the foundations for its biggest transformation since it opened more than 40 years ago.



Growing Infrastructure

Key infrastructure projects completed or commenced during 2012/13 include:

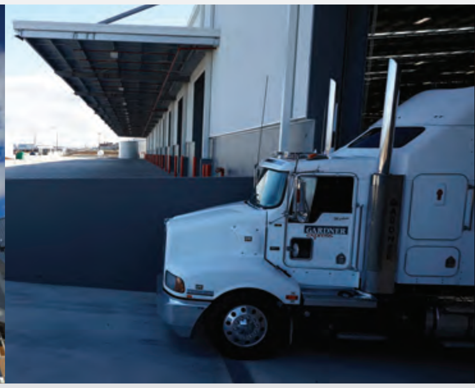
- **Terminal 3 refurbishment** – in partnership with Virgin Australia, and completed on time and on budget, the refurbished Terminal 3 now aligns with Virgin Australia's refreshed branding.
- **Forecourt** – successful redevelopment of one of Melbourne's most congested and keenly contested areas, improving traffic flow and delivering more space for general public pick-up bays and streamlined bus services through the relocation of commercial and public services.
- **Foxtrot apron infill project** – this project, scheduled for completion late in 2013, will deliver approximately 30,000m^2 of new aircraft parking at Melbourne.
- **Taxiway slab replacement** – to maintain safety standards, Melbourne is replacing approximately 68,000m^2 of aged concrete on its taxiways. The project will take five years to complete.
- **New long term car park** – a new entry from Mercer Drive into Melbourne's long term car park improved utilisation and traffic flow. A new long term car park, the Value Stay Car Park, was also developed for use in peak periods.
- **Launceston** successfully expanded capacity of its southern apron, quadrupling the load factor.
- **Southern Precinct Program** – the Federal Government approved the major development plan (MDP) for this significant program of work. Approved works include a new domestic terminal, ground transport hub, additional aircraft parking bays and significant road improvements.

Access

As Melbourne continues to grow, access to and around the airport is an increasingly important issue. Significant road upgrade and expansion projects include:

- **Extension of Francis Briggs Road** – to improve traffic flow around the long term car park and taxi holding area.
- **Extension of Airside Road** – extended to cater for relocation of airside services gate and new domestic terminal works
- **Airport Drive** – extensive planning was undertaken on this major project that, when completed, will provide direct access to the M80 Western Ring Road. It also includes provision for a rail link.
- **Terminal Drive** – doubled capacity of this major arterial road by adding two new lanes. The intersection with Centre Road will also be expanded to improve traffic flow into the main forecourt area.

To support the continuing demand for aviation services as well as the growth of Victoria and Tasmania, APAC invested $245 million in a targeted program of facility upgrades and expansions.



Business park

Melbourne's business park achieved strong growth with more than $100 million invested to support the operations of freight and business park partners. Significant developments include:

> **New facilities** – completion of new facilities for Border Express Pty Ltd and Fellowes.

> **Airservices' Hot Fire Training Ground** – successful completion of the largest hot fire training ground in the southern hemisphere.

> **Essendon Football Club** – commenced training on new grounds located at Melbourne.

> **Melbourne Airport Cargo Centre** – successfully completed stage one of this major development that supports growth of freight related business. Leading global companies The Panalpina Group and ABR Aviation Services also signed as tenants.

Freight

In January 2013, Melbourne Airport became Australia's largest exporter of air freight during the year, confirming Victoria as the premier freight state.

> Air freight exports increased by 16 per cent.

> With 85 per cent of freight carried in passenger aircraft, increased international passenger services to key growth markets such as Asia and the Middle East supported growth in freight exports

> Major freight categories by value were medical products, fish and crustaceans, fresh meat and precious stones and metals.

> Freight services are supported by Melbourne's curfew free operations.

Planning for the future

> Work progressed on Melbourne's Master Plan supported by a broad stakeholder engagement program including government and the local community.

> Major projects within the Master Plan include a proposed third runway and a long term road solution, the elevated loop road.

> In November 2012, Melbourne announced east-west as the preferred orientation for the proposed third runway.

> Extensive consultation with the community was undertaken and included public meetings and attendance at local shopping centres. The draft preliminary Master Plan was also available for public comment for 60 business days.

> The Master Plan has been submitted to the Federal Government for approval.

SERVICE

Quality of Service Monitoring (QSM)

- Accreditation was gained for the new market research standard ISO 20252.
- Service levels improved at Melbourne with overall airport experience for the international terminal increasing to 4.15 out of 5.
- More than 14,000 passengers were interviewed in Terminals 2, 3 and 4.

Customer service

- Melbourne further strengthened its service commitment with five out of the six key customer service indicators increasing throughout the year.
- Melbourne became the first airport in the world to gain accreditation to the International Customer Service Standard 2010-2014.
- Melbourne's six key indicators are ambience, cleaning, crowding, information and way-finding, facility availability, and courtesy and helpfulness.
- Melbourne and Launceston will continue to work to improve the level of service delivered

Technology

Technology is playing an increasingly important role in delivering great customer service across APAC's operations.

- **Self-service kiosks** – part of a wider program to streamline the passenger experience, and in conjunction with Air New Zealand, self-service kiosks and automatic bag drops were successfully introduced in Melbourne's international terminal.
- **SmartGate** – in close collaboration with Customs, additional SmartGate technology was installed in Melbourne's international arrivals area.
- **Car parking online** – an online booking facility was introduced at Melbourne that enables customers to pre-book and pre-pay for car parking.

A spotlight on service has delivered improved passenger satisfaction in 2012/13.

Focus on Asia

The emphasis on key growth markets remains at Melbourne as the focus moved from being 'China ready' to 'China friendly'. Initiatives introduced during the year included:

> Additional Mandarin speaking staff appointed as part of the volunteer Customer Care program.

> Public announcements in Mandarin at Melbourne's international departures international screening point to provide real time updates and further guide passengers.

> Further cultural training for APAC and front line staff.

> Mandarin classes for APAC staff.

Customer service awards

The Melbourne Airport Customer Service Awards were introduced to recognise the number of organisations that contribute to APAC's daily operations and success.

Inaugural winners were announced at an awards ceremony with more than two hundred APAC staff and nominees attending.

OUR REPUTATION

APAC is committed to delivering responsible airport operations that protect and enhance the environments and communities in which they operate.

Stakeholder and community engagement

- **Stakeholder audit** – every year a comprehensive and in-depth audit is conducted with some of Melbourne's key stakeholders with Melbourne achieving 95 per cent and 92.5 per cent for quality of relationships and communications respectively.
- **Stakeholder consultation** – Melbourne and Launceston's Community Aviation Consultation Groups (CACG) continued with their program of regular public meetings. In Melbourne, attendance at the forum grew significantly as the Master Plan and future developments became key discussions points.

Environment

- **Environmental management system** – recertification of Melbourne Airport's Environmental Management System (EMS0 to ISO14001) with zero non-conformances.
- **Climate Friendly** – working with Climate Friendly, all staff flights and vehicles, including the car park bus fleet for the 12/13 year were offset across APAC.
- **Revitalising Maribyrnong River** – Melbourne continued working with the Victorian state government, industry bodies and local landowners to improve pest, plant and animal control, on the largest ever collaborative environmental project in Victoria.
- **Tri-generation project** – work commenced on a more secure and flexible power source in Melbourne that will reduce Melbourne Airport's annual carbon emissions by approximately one third.
- **Launceston** – successfully replaced all lighting on its roads and within the short term car park with more efficient and sustainable LED lighting.
- **Stakeholder engagement** – Melbourne continued to work with government, businesses, the community and key stakeholders through the important Noise Abatement Committee.

Social and economic impact

To inform the development of Melbourne Airport's Master Plan, research and analysis was undertaken by an independent research company.
Key findings include:

> Melbourne Airport is a major centre of employment, directly supporting 14,300 roles and indirectly supporting 43,000 roles.

> Melbourne Airport contributes $1.47 billion to Victoria's gross state product (GSP).

> Every international flight that lands at Melbourne contributes $240,000 in visitor spending to Victoria's economy.

> Every year, Melbourne's curfew free status allows for the movement of an additional two million passengers and adds $590 million to the Victorian economy through visitor spending.

APAC is committed to delivering responsible airport operations that protect and enhance the environments and communities in which it operates.

Government

Both Melbourne and Launceston continued to work with all levels of Government to continue to improve planning operations and services.

- Melbourne continued to work with the Victorian State Government on improving taxi services following the final report of the Professor Fels led inquiry.
- Melbourne contributed to the Victorian government's review of the Metropolitan Planning Scheme.
- Launceston contributed to The Tasmanian Access Study with the Tasmanian State Government committing additional tourism marketing funding to promote greater use of airline services.
- Melbourne continues to work with key government departments, industry bodies, business and stakeholders through a number of formal forums including The Melbourne Airport Transport Committee, The Planning Consultation Forum, and the Melbourne Airport Business Partners Forum.

Safety

Safety is a priority every day at APAC. As the construction program intensifies, the need to continue working safely is critical.

- **Safety Management System (SMS)** – aims to ensure compliance with all current work health and safety legislation and safety system requirements.
- **Construction** – in Melbourne, 664,000 construction hours were completed with zero lost time injuries (LTIs).
- **AS4801** – following accreditation of the new Australia safety management system AS4801 last year, internal processes were strengthened to support the new safety framework.
- **Stakeholder engagement** – APAC will continue to work closely with government, safety regulators and contractors to maintain a safe working environment.

Security

- **Secure operations** – APAC delivered safe and secure airport environments with no major incidents that adversely impacted operations.
- **Body scanners** – as part of the Federal Government's initiative to improve security, Melbourne installed body scanning equipment in the international departures area.
- **Stakeholder engagement** – APAC will continue to work with the government to enhance security across its operations.

Supporting our communities

APAC supports a number of community and industry organisations to further develop and enhance the economic and social prosperity of the communities in which it operates.

> **Salvation Army asylum seeker support** – Melbourne's support for the service assisted more than 1,200 asylum seekers living in Melbourne's north-west. Support included medical treatment, clothing, school uniforms and books.

> **Western Chances** – Melbourne's ongoing support of Western Chances assisted to provide more than 400 scholarships to talented young people experiencing financial hardship.

> **Essendon Football Club** – Melbourne worked with the Essendon Football Club support junior players from the U14 teams.

> **Western Bulldogs Football Club** – Melbourne worked with the club to support international students from the north-west region with skills workshops and excursions for more than 150 children.

> **Conservation Volunteers** – a new partnership which sees Melbourne supporting the 'Healthy Habitats' conservation program at Woodlands Park works to establish new populations of Victoria's most endangered mammal, the Eastern Barred Bandicoot.

> **Destination Melbourne** – Melbourne continued to support the Melbourne Tourism Industry Leadership Program which aims to strengthen succession management within the tourism sector while also providing practical learning opportunities for industry leaders.

> **Hume Council** – as a major centre of employment for the north-west and working closely with Hume Council, Melbourne introduced a centralised career portal on the Melbourne Airport website to raise awareness around airport related job opportunities.

> **Launceston** continued its support for the region's prestigious Glover Art Prize, the Junction Arts Festival, the Blue Sky Ball and the Launceston Tornadoes Basketball team.

OUR TEAM

As major infrastructure assets, APAC's operations are critical to the growth of the Victorian and Tasmanian economies. A passenger departing or arriving at Melbourne or Launceston airports has contact with many organisations, all of which play an integral role in daily operations.

> APAC's operations were supported by 283 staff.

> A 76 per cent response rate to the employee enjoyment survey reinforced the team's commitment to delivering world class operations and service.

> **Employee exchange** – Melbourne hosted representatives from Chengdu Airport and China Southern Airlines as part of Melbourne Airport's inaugural staff exchange program.

> **Women's luncheon** – focussing on development of female colleagues, Melbourne's inaugural luncheon was held with inspirational guest speakers sharing experiences and expertise.

> **The Aviators** – successful development and implementation of an employee recognition initiative that supports collaboration across APAC.

> **Health and well-being program** – the successful program continued with initiatives including yoga classes, massages and influenza vaccines.

A 76 per cent response rate in the employee engagement survey reinforced the team's commitment to delivering world class operations and service.

FINANCIAL RESULTS for the financial year ended 30 June 2013 ($ millions)

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	% change
FINANCIAL RESULTS - APAC												
Areonautical	101	126	144	149	162	192	202	218	237	248	286	15%
Retail & car parks	92	106	123	138	158	187	196	218	239	248	257	4%
Property	48	52	54	59	62	69	77	80	83	91	98	8%
Interest & other	2	2	2	2	2	1	1	2	2	2	2	0%
TOTAL REVENUE	**243**	**286**	**323**	**348**	**384**	**449**	**476**	**518**	**561**	**589**	**642**	**9%**
Operating expenses	74	83	93	102	114	115	124	131	138	152	172	13%
Operating profit	**169**	**203**	**230**	**246**	**270**	**334**	**352**	**387**	**423**	**437**	**470**	**8%**
Change in fair value of investment property	0	0	0	91	77	22	(33)	11	59	17	44	159%
Profit before borrowing costs, depreciation and amortisation	**169**	**203**	**230**	**337**	**347**	**356**	**319**	**398**	**432**	**454**	**514**	**13%**
Depreciation and amortisation	40	45	38	34	37	39	46	53	65	75	84	12%
Borrowing costs	97	90	80	80	84	90	96	115	126	136	141	4%
Profit / (loss) before tax	**32**	**68**	**112**	**223**	**226**	**227**	**177**	**230**	**291**	**243**	**289**	**19%**
Tax expense / (benefit)	13	27	33	67	68	68	53	69	88	73	87	19%
Net profit / (loss)	**19**	**41**	**79**	**156**	**158**	**159**	**124**	**161**	**203**	**170**	**202**	**19%**
CAPITAL EXPENDITURE - PROPERTY, PLANT AND EQUIPMENT & INVESTMENT PROPERTY												
Melbourne	42	38	108	77	89	128	201	156	147	205	249	21%
Launceston	0	0	1	1	1	4	16	5	4	4	5	25%
TOTAL	**42**	**39**	**108**	**78**	**90**	**132**	**217**	**161**	**151**	**209**	**254**	**22%**
PASSENGER VOLUMES												
Melbourne Airport												
International	3	4	4	4	5	5	5	6	6	7	7	**3%**
Domestic	13	15	16	17	18	19	20	21	22	21	23	7%
Total (excluding transit passengers)	**17**	**19**	**21**	**21**	**22**	**24**	**25**	**26**	**28**	**28**	**30**	**6%**
Transit passengers	0	0	0	0	0	0	0	0	0	0	0	**0%**
Total (including transit passengers)	**17**	**19**	**21**	**21**	**23**	**24**	**25**	**26**	**28**	**28**	**30**	**6%**
Launceston Airport												
Domestic	**0.58**	**0.67**	**0.82**	**0.92**	**0.99**	**1.10**	**1.11**	**1.12**	**1.15**	**1.13**	**1.22**	**8%**
AIRCRAFT MOVEMENTS (THOUSANDS)												
Melbourne Airport												
International	21	24	28	25	24	25	27	30	33	35	36	3%
Domestic	135	140	151	153	155	167	166	165	172	171	181	6%
General aviation	2	1	1	1	1	2	1	1	1	1	1	1%
TOTAL	**158**	**165**	**181**	**179**	**180**	**194**	**194**	**196**	**206**	**207**	**218**	**5%**
Launceston Airport												
Domestic	8	8	9	10	10	11	11	11	11	11	11	0%
General aviation	7	7	6	6	5	6	6	7	7	7	7	0%
TOTAL	**15**	**15**	**15**	**15**	**15**	**17**	**17**	**17**	**18**	**18**	**18**	**0%**

** figures are rounded to nearest million unless noted otherwise*

STATEMENT OF PROFIT AND LOSS
for the financial year ended 30 June 2013

	Consolidated 2013 $'000	Consolidated 2012 $'000
OPERATING REVENUE		
Aeronautical revenues	285,627	247,954
Retail revenues	256,812	248,026
Property revenues	97,984	90,610
Interest and other revenues	1,980	2,251
Total operating revenue	**642,403**	**588,841**
Non-operating revenue	100	85
Revenue from ordinary activities	**642,503**	**588,926**
Less: operating costs		
Staff costs	36,800	33,779
Service and utilities	95,080	82,118
Maintenance costs	18,455	16,435
Administration, marketing and other	21,695	19,557
Operating profit	**470,473**	**437,037**
Add:		
Change in fair value of investment property	43,871	17,412
Profit before borrowing costs, depreciation and amortisation	**514,344**	**454,449**
Less:		
Depreciation and amortisation	84,054	74,933
Borrowing costs	141,364	136,767
Profit before income tax expense	**288,926**	**242,749**
Less:		
Income tax expense	86,915	73,026
Profit for the year	**202,011**	**169,723**

STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Consolidated	
	2013 $'000	2012 $'000
CURRENT ASSETS		
Cash at bank	3,854	3,047
Inventories	184	246
Receivables	43,365	32,461
Other financial assets	266	385
Total current assets	**47,669**	**36,139**
NON-CURRENT ASSETS		
Property, plant and equipment	1,545,508	1,384,386
Investment property	1,085,917	1,009,782
Goodwill	671,866	671,866
Other intangible assets	1,772	-
Other financial assets	43,431	7,380
Total non-current assets	**3,348,494**	**3,073,414**
Total assets	**3,396,163**	**3,109,553**
CURRENT LIABILITIES		
Payables	87,672	70,424
Borrowings	-	10,000
Current tax liabilities	19,132	10,936
Provisions	5,592	5,318
Other financial liabilities	8,018	12,582
Total current liabilities	**120,414**	**109,260**
NON-CURRENT LIABILITIES		
Borrowings	2,025,173	1,901,152
Payables	1,202	1,202
Deferred tax liabilities	392,325	344,244
Provisions	1,520	1,275
Other liabilities	43,822	64,024
Total non-current liabilities	**2,464,042**	**2,311,897**
Total liabilities	**2,584,456**	**2,421,157**
Net assets	**811,707**	**688,396**
EQUITY		
Issued capital	118,100	118,100
Reserves	8,920	(60,832)
Retained earnings	684,687	631,128
Total equity	**811,707**	**688,396**

STATEMENT OF CASH FLOWS
as at 30 June 2013

	Consolidated Inflows (Outflows)	
	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	695,591	652,146
Payments to suppliers and employees	(233,694)	(206,394)
Income tax paid	(60,531)	(52,413)
Interest received	468	571
Interest and other costs of finance paid	(146,553)	(131,145)
Net cash provided by operating activities	**255,281**	**262,765**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(205,017)	(176,457)
Proceeds from sale of property, plant and equipment	101	110
Payment for investment property	(49,369)	(32,681)
Payment for other intangible assets	(2,211)	-
Net cash used in investing activities	**(256,496)**	**(209,028)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	578,000	994,731
Repayment of borrowings	(425,000)	(891,000)
Payment for debt issue costs	(2,526)	(3,800)
Dividends paid	(148,452)	(141,720)
Net cash provided by / (used in) financing activities	**2,022**	**(41,789)**
Net increase / (decrease) in cash held	**807**	**11,948**
Cash assets at the beginning of the financial year	**3,047**	**(8,901)**
Cash assets at the end of the financial year	**3,854**	**3,047**

SUMMARY OF KEY NOTES TO FINANCIAL INFORMATION
for the financial year ended 30 June 2013

1. SUMMARY OF KEY ACCOUNTING POLICIES

Statement of compliance

The financial report is extracted from a general purpose financial report which has been prepared in accordance with the Corporations Act, Accounting Standards and Urgent Issues Group Interpretations and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 26 August 2013 and can be obtained from the website listed in Note 27.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated all amounts are presented in Australian dollars.

Going concern

As at 30 June 2013, the consolidated entity has net current liabilities of $72,745,000 (2012: $73,121,000). The company has net current assets of $20,135,000 (2012: $19,883,000). Despite the deficiency in net current assets as at 30 June 2013, the Directors are of the view that the group is a going concern due to the long history of profitability, unused finance facilities of $486,500,000 (2012: $239,500,000), forecast positive cash flows and the strong net asset position.

Rounding off of amounts

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

Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 25 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

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

(b) 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.

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. The leased land is amortised on a straight line basis over the period of the leases, which are 99 years.

(c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Australia Pacific Airports Corporation Limited (‘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).

(d) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) 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 (cash-generating unit) 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.

(e) Investment Property

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

SUMMARY OF KEY NOTES TO FINANCIAL INFORMATION
for the financial year ended 30 June 2013

	Consolidated	
	2013 $'000	2012 $'000
2. INCOME TAX RECOGNISED IN PROFIT		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	**288,926**	**242,749**
Income tax expense calculated at 30%	86,678	72,826
Permanent differences:		
Non deductible expenses	189	167
Non-deductible depreciation	48	33
Under/(over) provision of income tax in previous year	-	-
Income tax expense	**86,915**	**73,026**
3. CURRENT RECEIVABLES		
Trade receivables	43,365	32,461

	Consolidated					
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
4. PROPERTY, PLANT AND EQUIPMENT						
Gross carrying amount – at cost						
Balance at 30 June 2012	**67,362**	**586,304**	**784,555**	**369,265**	**105,802**	**1,913,288**
Additions	-	-	-	-	228,249	228,249
Disposals	-	(596)	(1,201)	(11,070)	-	(12,867)
Transfers (to) / from Investment Property	17,105	-	-	-	-	17,105
Transfers to / (from) assets under construction	16	47,872	61,422	37,876	(147,186)	-
Balance at 30 June 2013	**84,483**	**633,580**	**844,776**	**396,071**	**186,865**	**2,145,775**
Accumulated depreciation/ amortisation						
Balance at 30 June 2012	**9,195**	**157,437**	**188,604**	**174,206**	**-**	**528,902**
Depreciation and amortisation expense	828	24,705	26,024	32,058	-	83,615
Disposals	-	(401)	(793)	(11,056)	-	(12,050)
Transfers to Investment Property	-	-	-	-	-	-
Balance at 30 June 2013	**10,023**	**181,741**	**213,295**	**195,208**	**-**	**600,267**
Net book value as at 30 June 2013	**74,460**	**451,839**	**631,481**	**200,863**	**186,865**	**1,545,508**

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

	Consolidated	
	2013 $'000	2012 $'000
Aggregate depreciation and amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year.		
- Leasehold land	828	718
- Buildings	24,705	23,163
- Roads, runways and other infrastructure	26,024	23,516
- Plant and equipment	32,058	27,536
	83,615	**74,933**

SUMMARY OF KEY NOTES TO FINANCIAL INFORMATION
for the financial year ended 30 June 2013

	Consolidated	
	2013 $'000	2012 $'000
5. INVESTMENT PROPERTIES		
Balance at beginning of financial year	1,009,782	959,390
Additions for the year	49,369	32,681
Transfers (to) / from property, plant and equipment	(17,105)	299
Net gain from fair value adjustments	43,871	17,412
Balance at end of financial year	**1,085,917**	**1,009,782**

Investment property was valued by Mr. Martin Reynolds AAPI of the firm Jones Lang LaSalle. Mr. Reynolds is an independent valuer and has extensive experience of valuing property for the consolidated entity. The value of investment property is measured on a fair value basis being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar property in the same location and subject to similar leases.

In assessing the value of the investment property, the independent valuer has considered two basis of valuation being:

1. discounted cash flow; and
2. capitalisation approach

6. GOODWILL		
Goodwill at cost:	**671,866**	**671,866**

Goodwill has been allocated for impairment testing to two cash generating units, being the operations of Melbourne ($667,700,000) and Launceston Airports ($4,166,000). The recoverable amount of cash generating units is determined based on a value in use calculation which use cashflow projections based on financial budgets approved by management covering a ten year period, and a discount rate of 11.9% per annum, (2012: 11.9%).

7. OTHER INTANGIBLE ASSETS		
Gross carrying amount – at cost		
Balance at 1 July	-	-
Additions	2,211	-
Balance at 30 June	**2,211**	**-**
Accumulated amortization		
Balance at 1 July		
Amortisation expense	-	-
Balance at 30 June	**(439)**	**-**
Net book value at 30 June	**1,772**	**-**
8. OTHER FINANCIAL ASSETS		
Cross currency interest rate swap	**43,431**	**7,380**

	Consolidated	
	2013 $'000	2012 $'000
9. CURRENT PAYABLES		
Trade payables	60,582	44,137
Goods and services tax payable	1,767	2,735
Non-trade payables to:		
- Other	731	387
	63,080	**47,259**
Interest Payable to:		
- Secured debt – other entities *(i)*	24,254	22,903
- Other	338	262
	24,592	**23,165**
	87,672	**70,424**

(i) Secured by a fixed and floating charge over the consolidated entity's assets. Security given is all the assets of all operating companies. There have been no defaults on loans payable during the current or prior years..

10. CURRENT BORROWINGS		
Secured:		
– Senior – bank debt *(i)*	**-**	**10,000**

(i) Secured by a fixed and floating charge over the consolidated entity's assets. Security given is all the assets of the operating companies. There have been no defaults on loans payable during the current or prior years.

11. CURRENT TAX LIABILITIES		
Income tax payable	**19,132**	**10,936**
12. CURRENT PROVISIONS		
Employee entitlements	**5,592**	**5,318**
13. OTHER CURRENT FINANCIAL LIABILITIES		
Interest rate swaps	**8,018**	**12,582**

SUMMARY OF KEY NOTES TO FINANCIAL INFORMATION
for the financial year ended 30 June 2013

	Consolidated 2013 $'000	2012 $'000
14. NON-CURRENT BORROWINGS		
– Senior – bank debt *(i)*	428,500	665,500
– Domestic bonds *(i)*		
• Fixed rate notes (6.5% 26 August 2014)	100,000	100,000
• Fixed rate notes (6.0% 15 December 2015) *(ii)*	100,000	100,000
• Variable rate notes (15 December 2015) *(ii)*	200,000	200,000
• Fixed rate notes (7.0% 25 August 2016)	250,000	250,000
• Fixed rate notes (5.0% 14 June 2020)	225,000	-
US Private Placements *(i)*		
Fixed rate US $200m (7.5% 15 September 2021) *(iii)*	191,077	191,077
Fixed rate US $200m (7.4% 15 September 2023) *(iii)*	191,077	191,077
Fixed rate US $200m (7.4% 15 September 2026) *(iii)*	191,077	191,077
Fixed rate (5.95% 15 January 2028)	50,000	-
Variable rate notes (5.8% 15 January 2022)	125,000	-
	2,051,731	**1,888,731**
Exchange rate fluctuation (fair value hedge)	(16,731)	22,629
Total borrowings	**2,035,000**	**1,911,360**
Deferred borrowing costs	(9,827)	(10,208)
	2,025,173	**1,901,152**
Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
– Deferred borrowing costs	2,908	3,111

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

(ii) Debt subject to credit wrapping by MBIA Inc

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

	2013 $'000	2012 $'000
15. NON-CURRENT PAYABLES		
Non trade payables	**1,202**	**1,191**
16. DEFERRED TAX LIABILITIES		
Temporary differences	**392,325**	**344,244**
17. NON-CURRENT PROVISIONS		
Employee benefits	**1,520**	**1,275**
18. NON-CURRENT OTHER LIABILITIES		
Unearned revenue	4,415	4,947
Interest rate swaps	39,407	59,077
	43,822	**64,024**

SUMMARY OF KEY NOTES TO FINANCIAL INFORMATION
for the financial year ended 30 June 2013

	Consolidated 2013 $'000	2012 $'000
19. CAPITALISED BORROWING COSTS		
Property, Plant and Equipment	7,734	6,992
Investment Property	1,790	611
	9,524	**7,603**

Weighted average capitalisation rate on funds borrowed generally 7.0% (2012: 7.5%)

	2013 $'000	2012 $'000
20. ISSUED CAPITAL		
118,100,000 Ordinary shares – fully paid (2012: 118,100,000)	**118,100**	**118,100**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

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

	2013 $'000	2012 $'000
21. RESERVE		
Hedge reserves		
Balance at beginning of financial year	**(60,832)**	**(36,103)**
Gained recognised:		
– interest rate swaps	99,646	(35,327)
Deferred tax arising on hedges	(29,894)	10,598
	69,752	**(24,729)**
Balance at end of financial year	**8,920**	**(60,832)**

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

	2013 $'000	2012 $'000
22. RETAINED EARNINGS		
Balance at beginning of financial year	**631,128**	**603,125**
Profit for the year	202,011	169,723
Dividends paid	(148,452)	(141,720)
Balance at end of financial year	**684,687**	**631,128**
23. COMMITMENTS FOR EXPENDITURE		
Capital expenditure commitments		
Property, plant and equipment		
Not longer than 1 year	198,687	90,181
	198,687	**90,181**
24. SUBSEQUENT EVENTS		
Nil.		

SUMMARY OF KEY NOTES TO FINANCIAL INFORMATION
for the financial year ended 30 June 2013

25. CONTROLLED ENTITIES

Name of entity		Country of incorporation	Ownership interest 2013 %	2012 %
Parent entity				
Australia Pacific Airports Corporation Limited		Australia		
Controlled entities				
APAC (Holdings No. 2) Pty Limited		Australia	100	100
- Australia Pacific Airports (Melbourne) Pty. Limited		Australia	100	100
Australia Pacific Airports (Property) Pty Limited	*(i) (ii)*	Australia	100	100
APAC (Holdings) Pty Limited	*(i)*	Australia	100	100
- Australia Pacific Airports (Launceston) Pty Limited	*(i)*	Australia	100	100

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

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

	Consolidated 2013 $'000	2012 $'000
26. DIVIDENDS		
A fully franked interim dividend was paid during the financial year	148,452	141,720
Franking account	50,930	48,967

27. ADDITIONAL COMPANY INFORMATION

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

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

Website: www.melbourneairport.com.au
Email: reception@melair.com.au

Information is extracted from the Audited Financial Statements which are available on the above website.