AUSTRALIA
PACIFIC
AIRPORTS
CORPORATION

Annual Report
FY22

Updated as at 31 May 2023

Australia Pacific Airports Corporation acknowledges the First Nations of the land on which our airports operate. APAC is committed to working closely with First Nations peoples in Melbourne and Launceston to deepen our understanding about how our airports can continue to operate and develop in a way that recognises and celebrates the airports' First Nations cultural heritage.

APAC pays our respect to their Elders past, present and emerging.

Contents

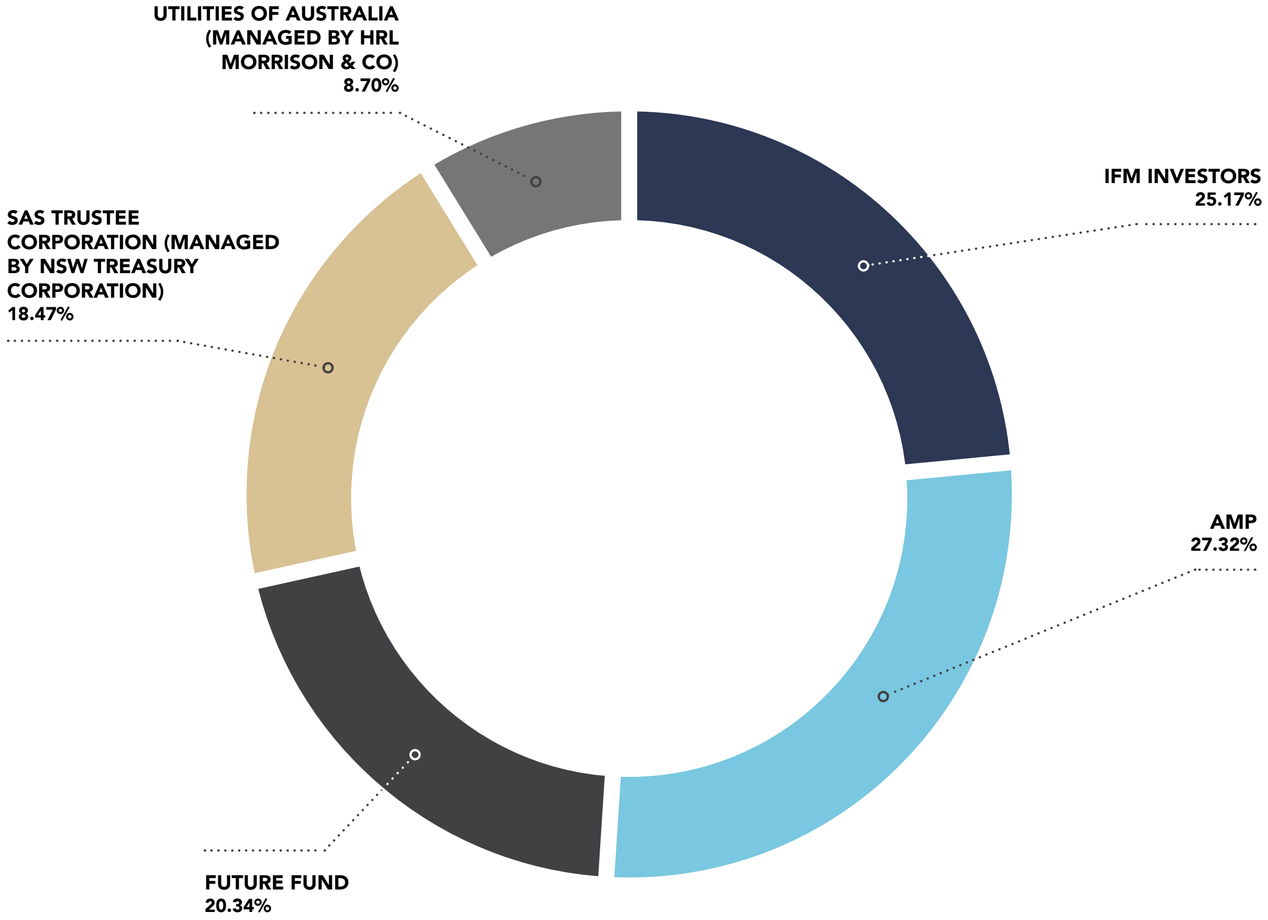
Our Company

Australia Pacific Airports Corporation

Australia Pacific Airports Corporation Limited (APAC) is committed to delivering strong, sustainable returns for the benefit of our diverse stakeholders through the performance of two key Australian aviation assets.

APAC is a privately held corporation owned by institutional investors, predominantly superannuation/pension funds.

The funds are owned, managed, or represented by the following five entities:



About
Melbourne Airport

Since 1970 Melbourne Airport has been Victoria's gateway to the world, operating curfew-free, 24 hours per day, seven days a week. The airport is located 22 kilometres north-west of Melbourne's central business district and is well connected to the city's freeway and arterial road network. Plans are progressing for a rail link connecting the airport to the suburban rail network via Sunshine. The airport is close to major industrial areas and serves as a hub for freight and logistics, while providing employment to thousands of residents in nearby suburban growth corridors.

The Melbourne Airport site is approximately 2,740 hectares and is predominantly surrounded by non-urban properties to the immediate north and west. This helps protect the community and safeguards the airport from encroachment by sensitive and incompatible uses. There is urban development to the east and south of the airport, comprising a mix of residential and industrial properties.

The airport has two intersecting runways, which are operated in different modes in response to wind direction or to reduce aircraft noise impacts. Planning and community engagement work is underway for a third runway to be built parallel to and west of the existing north-south runway.

The terminal complex is located on the east side of the airfield and combines international facilities (Terminal 2) with three domestic terminals (Terminals 1, 3 and 4). This integrated terminal precinct enables Melbourne Airport to provide the shortest minimum connection times between domestic and international flights of all major Australian airports.

Eighty aircraft parking stands serve the terminal precinct and accommodate the embarkation or disembarkation of passengers, loading or unloading of mail or freight, and fuelling, parking, and maintenance. Air traffic control, aeronautical information services, airport rescue and firefighting and navigation services are provided by Airservices Australia from facilities located in the airport midfield. Aircraft maintenance, repair and overhaul facilities are provided to the south of the airfield.

Before the Covid-19 pandemic, there were 20,600 full-time equivalent jobs supported on the precinct, and that workforce is rebuilding as the Covid-19 recovery continues. Melbourne Airport makes a significant contribution to the Victorian economy as a key driver of tourism and trade-based industries that support jobs and generate growth. It is estimated that a typical daily international flight contributes more than $109 million to the Victorian economy and supports more than 1,000 jobs per annum.

About

Launceston Airport

Launceston Airport is a subsidiary of Australia Pacific Airports Corporation. Situated 15 kilometres south of Launceston, the airport serves as the northern gateway to Tasmania for commercial aircraft, air freight and private operators. Located next to the Midland Highway and trunk routes servicing the north, north-west, north-east and south of Tasmania, the airport is well positioned to connect the state to the mainland and beyond.

The airport site occupies 180 hectares with a single north-west runway and full-length taxiway. Facilities include six domestic aircraft stands, three freight stands, and 15 general aviation stands. The three-storey terminal complex includes four dedicated boarding gates.

A separate terminal houses Sharp Airlines' maintenance facilities, national reservations centre and departure lounge.

The airport also provides a range of facilities and office accommodation to ancillary non-aviation businesses attracted to the benefits of operating in an environment that has excellent connectivity and logistics links.

As the main aviation hub for Northern Tasmania, Launceston Airport is the second-busiest airport in the state. A key economic driver, the airport contributes $81 million annually to the Northern Tasmania economy with a further $24 million in flow-on impacts. The airport has a workforce of more than 550 direct and indirect employees.

Our Vision, Strategy and Values

As we recovered from the disruption caused by the pandemic, our Vision and Values continued to guide us as difficult decisions were made through an ever-changing landscape. Our strategy evolved to one of resilience and flexibility. These important foundations provided purpose and direction as we continued to manage two of Australia's significant infrastructure assets during the Covid-19 pandemic.

Our Vision

BUILDING AIRPORTS TO BE PROUD OF

Our Values

ENABLED BY THE BUSINESS, UNDERPINNED BY OUR VALUES

AUTHENTIC

We celebrate diversity and earn the trust of our stakeholders by acting with integrity.

PASSIONATE

We are visionary, with the courage to innovate to achieve our goals.

ACCOUNTABLE

We are results-driven, make commercially savvy decisions, and take responsibility for our actions.

COLLABORATIVE

We work together and communicate openly to achieve our shared goals.

Our Strategy

REVIVE & THRIVE – THE APAC WAY

PROFITABLY GROW OUR CORE & DELIGHT TRAVELLERS

Growth in earnings and traveller experience is front of mind as we focus on airline and passenger recovery and addressing traveller pain points.

ACCELERATE COMMERCIAL PROPERTY DEVELOPMENT

Accelerating property development improves overall business resilience through greater diversification of revenue from traditional passenger-dependent income streams.

FUTURE PROOF AIRPORT GROWTH

Delivering generational programs, such as airport rail and the third runway, which will lay the foundations for the future growth of the business.

BE SUSTAINABLE, INCLUSIVE & INFLUENTIAL

Bringing greater focus to our ESG aspirations, initially targeting emissions, waste, diversity and inclusion while advocating for issues important to APAC.

DELIVER OUR FUTURE OF WORK

Creating a desirable workplace and enhancing our workforce culture by focusing on talent development and enablement.

Highlights

Financial FY22 vs FY21

Revenue	$538.5m	↑ 58.6%
Aeronautical	$182.8m	↑ 105.2%
Retail	$38.8m	↑ 148.7%
Ground Transport	$112.6m	↑ 89.6%
Property	$119.2m	↑ 7.5%
Total Expenses	$240.6m	↑ 39.6%
EBITDA	$297.9m	↑ 78.2%
Net loss after tax	$20.5m	↓ 132.2%
Capital Expenditure	$234.0m	↑ 32.5%

Aviation

Total passengers (ex transits)	12,936,947	↑ 110%
Domestic passengers	11,010,281	↑ 85%
International passengers	1,926,666	↑ 736%
Launceston passengers	745,621	↑ 38%

Aircraft movements	126,884	↑ 55.8%
Domestic movements (inc freighters)	106,526	↑ 55.4%
International movements (inc freighters)	19,156	↑ 60.6%
Launceston movements	12,518	↑ 24.1%

Air freight export	111,955 tonnes
Air freight import	117,440 tonnes
Export market share	31% steady from 2021

Environment and Sustainability

Electricity from grid
43.61
GWh

Electricity from onsite solar
19.08
GWh

Electricity from gas
3.93
GWh

Carbon emissions
(total scope 1 & 2)
52,061
(tCO2-e)

Scope 1
11,555
(tCO2-e)

Scope 2
40,506
(tCO2-e)

Quarantine/biosecurity - landfill
189 tonnes

Other waste - landfill
2,273 tonnes

Resource recovery - recyclable materials
263 tonnes

Resource recovery - garden/green waste
42 tonnes

Potable water used
957,355 KL

Area currently managed for ecological biodiversity
496 ha

Airport land currently managed for ecological biodiversity
18%

Social

Community engagement activities
53

Employees
367

Employee engagement
80%

Community investment
$412,000

Gender balance
(% female)
34%

Females in senior management positions
20%

Fatalities
0

Lost time injuries (employees)
6

Lost time injury frequency rate (employees)
15.7
per million hours

Total recordable injury frequency rate (employees)
18.3
per million hours

Chair's Report

Peter Hay

July 2022 marks 25 years since the privatisation of Melbourne Airport. Sustained growth over that quarter of a century, and prudent management through the Covid-19 pandemic, mean that, as the global aviation industry recovers, our business is well positioned for growth and continued investment in the infrastructure Australia needs for the future.

I am pleased to present APAC's 2021/22 Annual Report, in my fourth year as Chair.

The financial year did not start well, with Covid-19 lockdowns in Melbourne ending a short-lived recovery. As the year progressed the situation improved, with the international border re-opening in November 2021 and a strong rebound in domestic travel over the April and June school holidays.

An indication of how quickly that recovery has occurred is that 83% of the more than 11 million domestic passengers who passed through Melbourne Airport in the financial year did so in the last six months of that year. The airport's total passenger numbers for the financial year were more than double their level in FY21.

Launceston Airport was able to capitalise on Tasmania's relatively Covid-free status to establish new direct links with Adelaide, Perth and the Gold Coast.

The company's financial performance improved significantly as passengers returned, with APAC reporting an underlying EBITDA of $311 million, a $140 million increase on 2021.

APAC's balance sheet remains strong. The Group has $1.8 billion of liquidity and accessed capital markets during the year, with a $700 million domestic bond issue, demonstrating the strong fundamentals of the business and its resilience.

APAC values the support of its lenders through the pandemic and is pleased to report a return to financial covenant compliance for the period ending 30 June 2022.

Partners in recovery

APAC continued to provide retail and ground transport tenants with rent relief to facilitate their recovery post Covid-19, believing the medium-term benefits of this would outweigh the short-term reduction in revenue.

Partnering with the Victorian government has been critical to rebuild international capacity, and this team approach has already yielded positive results with airlines returning capacity to Melbourne and adding new destinations. While significant challenges remain with mainland China still partly closed, the business has successfully pivoted to under-served markets such as India, Vietnam and North America.

The strong domestic rebound has been tempered somewhat by airline staff shortages. The arrival of new aircraft and a new airline into the Australian market should increase capacity and competition, which will further stimulate demand. Both Melbourne and Launceston airports are well placed to capitalise on this, having planned during the pandemic to preserve APAC's capacity to rebound.

The ongoing recovery supports the board's plan to continue to invest in infrastructure for the long term. The resurgence in demand underscores the need to progress plans for a third runway at Melbourne Airport, to ensure extra capacity is available later this decade. It also highlights the importance of continued investment in terminal and ground transport facilities.

Supporting this ability to invest has been an increasingly diversified property portfolio, which has helped cushion against the aviation-related downturn. A growing number of businesses have expressed interest in partnering with APAC to expand their operations, and the property team is working to explore those opportunities.

The Board remains strongly supportive of the Melbourne Airport Rail link and discussions continue with Rail Projects Victoria to deliver an appropriate solution for Victoria's international gateway.

APAC continued to provide targeted commercial support to our retail and ground transport partners through the recovery and as passenger levels return. This approach ensures both APAC and our partners benefit in the recovery and promotes a strong offering for travellers.

Safety

The Board is proud to report that APAC retained a 'zero fatality' record in its airfield and terminal operations for the financial year to 30 June 2022.

The need to rapidly re-scale the workforce has required significant supervisory effort from the safety teams to ensure new staff are provided with appropriate training for the unique airport environment.

APAC recorded a total of ten lost time injuries in the financial year, with eight at Melbourne Airport and two at Launceston. While this is a slight decrease on the previous year the business continues to work towards a target of zero.

Sustainability

APAC recognises that building a better business requires an increased focus on the environments we operate in and the communities we serve.

In October 2021 the Board was proud to endorse a strategy to achieve net zero Scope 1 and 2 emissions by 2025. This is one of the most ambitious emissions reduction targets of any Australian airport operator and an important step towards reducing our environmental footprint. Reducing Scope 3 emissions will be a more complex task and requires an industry-wide approach, but APAC is committed to working with our partners to meet this challenge.

APAC is also working to increase recognition of First Nations peoples and is committed to close collaboration with the Wurundjeri Woi-wurrung in Melbourne and Aboriginal Heritage Tasmania in Launceston to celebrate and improve understanding of their cultural heritage.

Board

The board continued to be supported through its governance structure comprising two Committees, being: Audit, Risk & Finance; and Remuneration. The priority topic of safety is managed through the full APAC Board.

Lianne Buck stepped down from the Board effective 1 January 2022 and Talieh Williams was appointed on the same date. Chair of the Audit, Risk and Finance Committee, Debbie Goodin stepped down from the board in June, while David Kenny resigned his position as a director in June 2022 to take up an opportunity in Europe. David Dowling was appointed to the board in the same month

In line with APAC's gender-balance targets, the board will work towards a membership composition of 40% male, 40% female and 20% of either gender by 2025.

On behalf of the Board, I would like to thank Lyell Strambi, who retired as Chief Executive Officer on 30 June 2022, for his commitment and dedication to our company through some of the most difficult years of its history.

Lyell demonstrated extraordinary leadership, not just of our business but on behalf of the industry in its hour of greatest need.

Lyell's retirement opened the way for the appointment of Lorie Argus as APAC's new Chief Executive. Lorie has worked in senior roles in APAC. She has the ability, experience and energy to drive our airports through the recovery and beyond.

Outlook

Time and again aviation has shown its ability to bounce back and the board's long-term view remains optimistic despite high fuel prices, geopolitical issues and the persistence of Covid-19 .

APAC continues to invest in terminal and airfield upgrades at both our airports to ensure they have adequate capacity to serve their respective passenger and freight tasks. Melbourne's third runway is a critical part of this and will help drive the state's future economic growth while creating thousands of jobs.

The Board believes that the diversity of APAC's business and the agility of its people position it well to capitalise on future opportunities, while supporting Australia's ongoing recovery from the pandemic.

Peter Hay
Chair

CEO's Report

Lorie Argus

Nowhere in Australia was hit harder by Covid-19 than Melbourne. After numerous false starts the city is on the road to recovery and as the springboard for Victoria's economy, it is critical Melbourne Airport rebuilds to be better.

The past 12 months have been a study in contrasts.

As vaccination provided a path out of the Covid-19 pandemic, Melbourne Airport went from near record lows to near record highs. September 2021 was a low point, with Melbourne subjected to a strict lockdown and state border closures, the airport recorded its lowest monthly passenger figure this century, and possibly ever.

By April 2022 the terminals were buzzing again. The airport welcomed its first new international carrier since the onset of Covid-19 and fell just short of equalling its daily record for departing domestic travellers.

The rapid rebound presented new challenges, but the Melbourne Airport team stepped up to ensure our passengers, exporters and city were being well served.

Creating connections that matter

Throughout the pandemic Melbourne Airport remained open as Victoria's gateway to the rest of the world, helping to facilitate the return of thousands of stranded Australians and the export of valuable local produce.

In August our airport was proud to host six repatriation flights from Afghanistan, allowing around 800 people to flee the Taliban regime to safety and a new life in Victoria. At a time when international arrivals were scarce, these flights required significant co-ordination across multiple agencies, but for those on board, they were life-changing.

Through lockdowns to restart, the shifts in airline capacity required Melbourne Airport to work hand in glove with partners such as Ikon, Programmed and ISS to ensure airport staffing levels matched requirements. As operations have progressively resumed this has not always been easy, and rebuilding our workforce remains an ongoing challenge. We thank our partners and suppliers for their patience and collaboration through the depths of the crisis and now our recovery.

As state and international borders re-opened, the terminals were regularly filled with scenes of joy as family and friends were reunited.

It was a beautiful reminder of the positive change and connections Melbourne Airport and its people help enable, and I am incredibly proud of the work we do.

Our work is now focused on restoring the links we lost and creating new ones, so that people can connect with each other, and Victorian producers can connect to the world.

A new runway

The progressive re-opening of the Australian border in November sent a strong signal to the world that Victoria is again open for business and we were pleased to work with our airlines to start restoring capacity.

But our ability to cater for increasing demand is constrained by our current cross-runway layout, which before Covid-19 was already reaching its limits.

That's prompted Melbourne Airport to move forward with plans for a new north-south runway.

The project was the subject of extensive community consultation alongside a revised Master Plan between February and May. Subject to Commonwealth approvals and commercial agreement, construction is expected to take approximately five years.

The new parallel north-south runway is a critical, foundational piece of infrastructure for Victoria that will help enable thousands more jobs in neighbouring communities and across the state by ensuring the airport has the capacity it needs to cater for future demand.

Sustainable growth

Melbourne Airport recognises that sustainability must be at the core of what we do, and our commitment to net zero Scope 1 and 2 emissions by 2025 underscores that. We're looking to expand our successful on-airport solar farm and have entered into a significant power purchasing agreement for high quality Victorian solar and wind energy. Melbourne Airport is now working with airlines and ground transport providers on a strategy for reducing Scope 3 emissions, which will be a longer and more complex transition. The introduction of an organic waste stream is expected to further reduce our environmental footprint and contribute to the airport's goal of diverting 60% of terminal waste from landfill by the end of 2024.

As we rebuild from the Covid-19 pandemic, Melbourne Airport also needs to enhance the sustainability of our workforce. In recent months, staff shortages have been a critical issue for many of our airlines, ground handlers and airport suppliers and we are working with them to find ways of connecting local jobseekers to opportunities at the airport. As Victoria's largest single-site employment hub outside Melbourne's Central Business District, a focus on local employment provides the opportunity for major benefits to flow to our neighbouring communities.

Critical to all of this is a sustainable balance sheet. Our property portfolio continues to perform well, and the increasing diversity of our business has provided significant resilience to the headwinds of the past two years. As passengers have returned, ground transport and retail have performed above expectation. But aviation remains the core of what we do, and we need to capitalise on every opportunity for growth. This work has already resulted in an increase in domestic capacity into Melbourne and the promise of more to come. With the key mainland Chinese market still closed, our efforts have turned to expanding under-served markets such as India, Vietnam, Korea and North America. As Melbourne grows, so too must our share of the international market.

A long-term view

The difficulties posed by Covid-19 and the subsequent recovery have underscored the need for us to take a long-term view of the airport and our business.

We need to rebuild, but better.

As a springboard for the state economy, Melbourne Airport delivers economic growth, creates jobs and connects Victoria to Australia and the world.

We need to ensure that in reconnecting our state, we also create new connections for business, tourism and trade.

We need to find better ways of doing things with our partners, better ways of working as an organisation, and better ways of serving Victoria to grow our state's market share.

Despite the significant downturn caused by Covid-19, we continued to invest in our infrastructure with significant airfield works and major terminal upgrades to improve the experience for our passengers.

That work continues as passengers return, with projects to enhance both the Qantas and Virgin Australia terminals.

It's a challenging but exciting time to be taking on the role of CEO of Melbourne Airport.

I'd like to thank Lyell Strambi for his tireless work as CEO, particularly his outstanding leadership, determination and care for our team as we navigated the depths of the Covid-19 crisis. We wish him well in retirement.

I'd also like to thank our investors, our partners and particularly our staff, whose efforts make me proud every day.

LArgus

Lorie Argus
Chief Executive Officer

Our Business

Aviation

Melbourne Airport has successfully focused on opportunities to harness pent-up demand for travel, by restoring lost capacity and growing existing destinations, while working to attract new airlines and develop new markets.

Prolonged lockdowns and state border closures severely impacted Melbourne Airport's aviation activity and the emergence of the Omicron variant dented passenger confidence over the summer school holidays.

With borders now open and passenger confidence returning, the airport is well positioned to increase its domestic and international connections, which will benefit Melbourne, local importers and exporters and the broader Victorian economy.

Domestic

Melbourne's extended Covid-19 lockdown and ongoing state border restrictions caused significant disruption to domestic travel, with Rex temporarily suspending its jet operations and the Qantas Group and Virgin scaling back to a skeleton service, supported by subsidies from the Australian Government.

The re-opening of the Victorian-New South Wales border on 1 November provided airlines with the opportunity to start ramping up their operations from Melbourne, while Queensland's border re-opening on 13 December allowed for more Christmas travel options.

Summer holiday bookings were hampered by the emergence of the Omicron variant, which resulted in airlines reducing domestic capacity in February. The disruption to Australian aviation was compounded by Western Australia's decision to delay reopening its border from February until March.

However, traveller confidence returned quickly, and by the Easter school holidays some of Melbourne Airport's domestic terminals were operating at more than 100% of pre-pandemic passenger levels.

Underlining the pent-up demand for travel, on 22 April Melbourne Airport processed 46,482 departing domestic passengers, just 2% fewer than the record 47,600 set in March 2018. Total passenger numbers surpassed two million in April, May and June, marking a return to levels not seen since the start of the pandemic.

The rapid increase in demand presented some operational challenges, with a lack of staff in key areas such as ground handling and security combined with Covid-19 isolation requirements, contributing to lengthy queuing and wait times for some passengers at peak times.

As the airport works to build back a better business, it has sought to find new opportunities wherever possible.

Rex added Melbourne-Brisbane to its growing jet network, while Jetstar launched service from Melbourne to Busselton (Margaret River) after a two-year delay.

Jetstar also announced plans to enter the Melbourne-Canberra market from July.

In February, low-cost start-up airline Bonza announced Melbourne Airport would be the only capital city to feature in its launch route network and would also serve as its second base. The airline plans to launch domestic flights from Melbourne using Boeing 737 MAX aircraft in the second half of 2022, with many destinations not currently served by existing airlines.

Bonza's decision to target Melbourne is a huge vote of confidence in Melbourne Airport and the city it proudly serves.

International

International travel remains severely impacted by the effects of Covid-19, but as restrictions have lifted, capacity and passenger confidence have gradually returned.

The suspension of the New Zealand travel bubble in July 2021 resulted in the collapse of international passenger numbers, with just 10,356 foreign travellers passing through Melbourne Airport in September, one of the lowest monthly figures on record.

However, the progressive reopening of Australia's border allowed for a gradual resumption of international travel ahead of Christmas.

Having maintained service to Melbourne throughout the pandemic, Singapore Airlines flew the first flight carrying returning fully-vaccinated Australians when border restrictions were relaxed on 1 November.

The full reopening of the border to tourists on 21 February and subsequent removal of pre-departure and on-arrival testing requirements facilitated further growth in the international market.

Recognising the importance to the state of direct international flights, Melbourne Airport partnered with the Victorian Government to rebuild capacity.

This joint approach to service restoration allowed Melbourne to once again present a compelling case to airlines around the world.

Bamboo Airways became the first new foreign carrier to serve Melbourne since the onset of Covid-19, initially operating charter flights between Melbourne and Ho Chi Minh City before launching scheduled service between the two cities, and then the first ever direct connection between Melbourne and Hanoi.

The airline also selected Melbourne as its Australian headquarters.

Qantas restored direct service to Singapore and resumed its Melbourne to London service via Darwin because of the ongoing closure of the Western Australian border.

The airline reported one of its most successful international launches in history when it began Airbus A330 flights from Melbourne to Delhi.

Qantas also announced plans to begin direct service from Melbourne to Dallas from December 2022, which will provide an important connection into American Airlines' Texas hub.

Jetstar resumed flights to popular leisure destinations including Bali, Vietnam and Hawaii, and flagged plans to expand its international offering when its Airbus A321neo fleet begins arriving in FY22/23.

As demand for travel to Europe increased, key global hub carriers such as Singapore Airlines, Etihad Airways and Qatar Airways all progressively increased frequencies from Melbourne, with Emirates returning to double daily A380 service to Dubai.

In a significant boost to Victoria's technology sector, United Airlines returned to Melbourne Airport in June with the relaunch of its direct service to San Francisco, re-connecting Victoria to Silicon Valley. The ongoing resumption of flights helped push Melbourne Airport's international passenger capacity back above 50% of pre-Covid levels.

Cargo

Melbourne Airport plays a crucial role in keeping Victorian exporters connected to the world and moving time-critical produce into market.

With roughly 90% of cargo carried in the hold of passenger aircraft, the pandemic induced border closures resulted in a significant reduction in available capacity.

This was somewhat offset by passenger airlines operating cargo-only flights and an increase in the number of dedicated freighter movements.

In March, a record 788 international cargo flights were flown in and out of the airport.

Domestic freight movements peaked at 964 in December, reflecting the increased demand for pre-Christmas cargo services and the lack of hold space on passenger aircraft caused by the closure of some state borders.

Outlook

Melbourne Airport has worked to build a more agile business and continues to leverage opportunities as they arise.

Before the onset of the pandemic, mainland China was Melbourne Airport's largest international market, and while the country remains largely closed off, attention has shifted to growing open destinations such as the United States, Vietnam and India.

After two difficult years for Melbourne Airport and the broader travel industry, there is cause for optimism.

Victoria remains a high potential market for airlines, with a growing population, numerous natural attractions, and a strong calendar of high-profile major events.

APAC's ongoing investment in its terminals, airfield and facilities means it is well placed to meet the needs of airlines and their passengers for the decades to come.

Ground Transport

FY22 was another rollercoaster year for Ground Transport, as Covid-19 impacted travel and passenger confidence. The rebound in passenger volumes when Victorian lockdowns were lifted resulted in $112.6 million in revenue. A streamlined parking product range helped drive increased mode share, while an innovative Uber solution is cutting customer wait times in half.

Parking

As lockdowns were lifted and air travel increased, passengers increasingly opted to use private cars and parking over public transport. Customers continued to react positively to the review of car parking products completed during 2020 and 2021, which saw 14 unique products reduced to three product groupings, offering clearer, simpler choices between convenience and value.

Melbourne Airport introduced a new "Overstay Guarantee" to give customers peace of mind and to avoid costs for Covid-related extensions as restrictions changed constantly across Australia.

After months of near-empty car parks, high occupancy rates were recorded in the peak travel months of December and April. In April, high demand for the Value car park led to capacity being reached, with more than 2,500 drive-up customers diverted to the overflow car park – the first time this has occurred in more than two years. May and June also outperformed those same months in 2019, with parking mode share across the year averaging 24%, up from 19% in FY19.

Marketing activities have continued to build brand awareness, with a campaign featuring comedian Jimmy Rees resulting in a 58.2% spike in car parking sales on launch day and achieving 110k+ views on Instagram and 231k+ views on Facebook.

The airport is investing in a project to improve the online car park booking system and overall customer experience. It is expected to be completed toward the end of 2022.

Commercial Operators

Melbourne Airport continued to provide targeted commercial support to rental car companies, which impacted revenue but ensured business partners were supported as the pandemic continued.

Changing passenger preferences prompted Melbourne Airport to introduce a dedicated Uber kerbside pick-up zone at Terminal 2, with a secondary location outside Terminal 4. Uber accounted for around 27% of commercial vehicle pick-ups in 2019, demonstrating demand for the improved access to rideshare service.

In an Australian airport first, Uber introduced its PIN technology in Melbourne, enabling passengers to book a car via their smartphone and then proceed directly to the new kerbside pick-up zone. Wait times have improved by up to 50% and expectations are that more than one million forecourt pedestrian crossings will be eliminated, providing safety and efficiency benefits for all users of the Melbourne Airport forecourt.

Melbourne Airport Rail Link

Melbourne Airport has long advocated for a rail link between the airport and CBD and welcomed the combined $10 billion commitment from the state and federal governments to make this a reality. The two governments have agreed on an option that will see trains run from Melbourne Airport through to Sunshine Station, then into the city via the new Metro Tunnel.

The airport continues to work with Rail Projects Victoria to finalise the rail alignment through Melbourne Airport as well as the station location and design, which will then be subject to approval of a Major Development Plan. This is expected in FY24 with construction completed toward the end of the decade.

Commercial Property

Commercial property has helped diversify the airport's business, delivering $119 million in revenue, an increase of 7.5% on the previous year. Innovative businesses such as URBNSURF continue to draw visitors to the precinct, while interest from prospective new tenants remains high.

APAC supported tenants through the Covid-19 lockdowns by granting targeted relief, which helped several businesses to survive.

Deals brokered in previous years came to fruition in FY22. The 11,488m^2 Reece purpose-built development announced in 2020 was completed in August 2021, enabling the company to consolidate two of its specialty brands under one roof.

After some initial delays, construction on the Seqiris vaccination facility is well underway and the APAM related supporting infrastructure works remain on program and within budget.

With passenger numbers increasing and future projections looking strong, approval has been granted for the restart of construction of the 464-room Novotel and Ibis Styles' hotel. Given the ongoing challenges in the midst of the pandemic, construction was temporarily suspended, with the hotel paused at lockup stage. Works will recommence in late 2022 with the hotel expected to open in 2024.

The refurbishment of the Department of Home Affairs' headquarters at Customs House continues, with design and planning underway.

New Deals Done

Melbourne Airport was excited to welcome new businesses to the precinct, as companies recognise the benefits of the airport's unique offering.

Car manufacturer Honda will build a new 22,800m^2 parts distribution centre to replace its nearby existing facility.

Techtronic Industries (TTI) was another major addition to the Melbourne Airport Business Park, with the power tools company signing an agreement to lease a 74,200m^2 space. The development will function as TTI's Victorian distribution centre and will become the airport's largest shed.

A deal was also reached with Martin Brower for a 9,200m^2 cold store facility. Martin Brower provides logistics and supply chain solutions to almost 1,000 restaurants across Australia.

With numerous businesses seeking additional premises in the buoyant commercial industrial market, the Board granted approval for a new warehouse development. Construction of a 21,900m^2 warehouse commenced in June with one confirmed tenant and significant interest from other potential occupants, with an expectation the building will be fully leased on completion in Q2 2023.

Retail

As Victorians emerged from lockdown and passenger numbers began to recover, retail outlets across Melbourne Airport's four terminals started to see increased foot traffic.

At the beginning of the financial year, 95% of retail stores were closed, with Melbourne Airport offering tenants targeted rent relief. By the end of June this had changed considerably with all retail outlets in Terminals 3 and 4 open, 95% of tenancies in Terminal 1 open (noting that a terminal redevelopment is underway and a number of tenancies are being refurbished), and 65% of international retailers having reopened.

Throughout the pandemic and as travel rebounds back and beyond FY19 levels, the airport has supported all its operators with commercial and operational support.

After experiencing a sustained period of closure and impacted trade, some retailers outperformed pre-Covid retail sales during the Easter holiday period peak. Outlets continue to extend opening hours in response to demand from passengers, and many reported strong results across the June school holiday period.

A Covid-19 testing facility in Terminal 1 has been useful for thousands of passengers who have required PCR or rapid antigen testing prior to boarding a flight. Soaring demand over the Christmas period resulted in the specialist business temporarily suspending testing services for domestic passengers so that international travellers could receive critical tests before flying.

As seen across the country and across other industries, retail outlets at the airport continue to face challenges filling vacant positions. Labour shortages have stifled some operators' growth plans, but the airport, retail partners and others are working together to rebuild the workforce.

Terminal 1 Redevelopment

A $50 million upgrade of the Qantas (T1) terminal will transform it into one of the best domestic terminals in Australia.

When the project is completed, travellers will be treated to some of Melbourne's most iconic food and beverage brands.

Significant structural change will be undertaken to improve the customer experience across the terminal. The project will take approximately 24 months to complete, with the first stage planned to re-open in time for the 2022 Christmas holiday period.

New Retailers Welcomed

Passengers travelling through Melbourne Airport now have even more food and beverage choices available.

Renowned chef Shane Delia added a second restaurant to the airport, with the opening of Biggie Smalls in Terminal 3. This self-proclaimed "kebab mecca" has a large bar, craft beer on tap and more than 20 gins.

Another well-known chef, Scott Pickett, reopened Pickett's Deli & Rotisserie, an all-day eatery also in Terminal 3.

Other new food options included Earl Canteen in Terminal 3, Flat Chat Café in Terminal 1 and a new Hudsons Coffee store in Terminal 2 Arrivals.

International Terminal

Due to the slower reopening of international borders, retailers located airside in the international terminal have been gradually reopening in line with passenger growth.

In May 2022, Melbourne Airport opened the tender process for its duty-free license to find a qualified partner who can deliver an exceptional experience across the international terminal's 3,600m^2 duty-free space. There have been high levels of interest, and the airport will work through the review process over the coming months, with the contract expected to commence in June 2023. This development envisages a significant expansion and improvement in passenger amenity, expected to be delivered in 2026.

With several food and beverage outlets such as Bar Pulpo by MoVida, Brunetti Classico and Two Johns Taphouse reopened in Terminal 2, attention has also been placed on the reopening of luxury brands. The airport welcomed back Rolex, Tiffany & Co, Burberry® and Michael Kors in response to an increase in travellers passing through the airport.

Prosegur opened in Terminal 2, providing travellers a convenient way to change money into other currencies. New ATMs were installed both before and after security.

Infrastructure

Throughout the Covid-19 pandemic and recovery, Melbourne Airport has maintained a long-term view of its capital investment and a commitment to delivering modern, sustainable infrastructure at the right time.

Melbourne Airport has continued to invest in the renewal of critical infrastructure to ensure safety standards are maintained, and the airfield has sufficient capacity to cope with demand. At the same time, the airport has made targeted investments to improve the passenger experience in both the international and domestic terminals.

As the airport rebuilds as a better business and works towards a target of net zero (Scope 1 and 2) emissions by 2025, a key priority is transforming and upgrading our energy infrastructure. Building on the initial success of its 12 megawatt (MW) solar farm, Melbourne Airport has finalised plans to almost double the size of the facility within the next two years. A state government grant helped replace critical lighting within high traffic landside vehicle and pedestrian areas with LED, which is expected to save approximately one gigawatt of electricity each year. Further initiatives in the coming years, such as LED upgrades of legacy sodium halide globes on the apron high masts and street light replacement, are expected to save another three gigawatts of electricity per annum.

In early 2022, Melbourne Airport unveiled its preliminary draft 2022 Master Plan, which outlines projected infrastructure needs and precinct visions for the next 20 years. Key to the plan is construction of a third runway, parallel to the existing north-south runway, which will increase airfield capacity by more than 40%. The draft 2022 Master Plan is expected to be sent to the Federal Minister for Infrastructure and Transport for approval in September 2022.

Melbourne's Third Runway

In January Melbourne Airport confirmed plans to proceed with construction of a new north-south runway, to ensure the airfield has sufficient capacity to cope with forecast traffic growth.

The new 3,000-metre-long runway will be located parallel to and 1.3 kilometres to the west of the existing north-south runway and will include a 200-metre starter extension at its southern end to compensate for a slight uphill slope.

As part of the project the east-west runway will be shortened to account for a significant difference in terrain height.

When complete, the parallel runways will be able to operate independently of each other and will become the airport's primary operating mode.

Construction of the new runway is expected to take between four and five years and its opening will necessitate changes to flight paths around Melbourne.

As part of the 104-day public exhibition period, the Melbourne Airport team held more than 50 information sessions in a mix of in-person and online formats, to help maximise accessibility.

More than 2,500 submissions were received from government, business and stakeholder groups as well as members of the community.

Subject to approval of the airport's draft 2022 Master Plan, Melbourne Airport hopes to submit the draft runway Major Development Plan for approval in the second quarter of FY22/23.

Airfield Upgrades

Melbourne Airport has dedicated significant resources to the upgrade and maintenance of airfield infrastructure, to ensure the safe and efficient operation of the runway and taxiway network.

The airfield lighting system has been enhanced, with more than 3,000 taxiway lights upgraded to LED, providing better energy efficiency, reduced maintenance requirements and better visibility for pilots. The next phase of this project will allow for the individual control and monitoring of light fittings to help facilitate the work of the airfield team.

Taxiway Papa was re-opened in December 2021 following rehabilitation work and reconstruction of concrete slabs to allow for the next stage of the Taxiway Zulu project at a later date.

Throughout the year, the airfield pavement replacement program rebuilt around 40 concrete slabs across the airfield, using overnight works and rapid set concrete to minimise disruption. Many of these slabs had not been replaced since Melbourne Airport opened in 1970. Works to replace the concrete slab at the airport's busiest taxiway intersection (Alpha/Tango) are ongoing, with a six-month closure to maximise construction efficiency.

Design works have been completed for runway overlay works on the north-south runway, with night-time closures expected to begin later in the calendar year.

Amenities Refresh

Prior to the Covid-19 pandemic traveller feedback indicated the need for a significant upgrade of Melbourne Airport's toilet facilities. This prompted a $39 million investment in passenger amenities, with new restrooms now open in Terminal 1 (Qantas) and Terminal 3 (Virgin Australia). As part of this program, Melbourne Airport opened All Gender restrooms, Changing Places (Adult Change), family options, Animal Relief for assistance animals and new accessible options. Planning work is underway for further upgrades in Terminal 2 (international) and Terminal 4 (Jetstar and Rex). The designs are modelled on hotel bathrooms, and initial feedback from passengers has been overwhelmingly positive.

Terminal Improvements

Enhancing the passenger experience has been a key focus for Melbourne Airport as it works to rebuild a better business.

A new $30 million departures level connection between Terminals 3 and 4 opened in August 2022, allowing for the consolidation of passenger security screening at an expanded checkpoint in Terminal 4. This has significantly improved the experience for Virgin Australia passengers, with smart security technology allowing for a faster and easier screening process. Prior to the opening of this link, Terminal 3 security had become one of the airport's key pinch points, and the expanded Terminal 4 screening point will allow for far greater passenger throughput. The new connection also provides Virgin Australia's passengers with an increased range of airside retail, food and beverage options, as well as an airside lounge.

Works are also underway to enhance the experience of Qantas passengers, with an upgrade of Terminal 1. The project includes the installation of new escalators, a refresh of the terminal retail outlets and an upgrade of the interior fit out to create a warm, welcoming environment for passengers.

Elevated Roads Project

To help reduce congestion and improve the flow of vehicles accessing the terminal carparks and passenger pickup and drop off zones, Melbourne Airport has started construction of a network of elevated roads.

Works commenced on Stage 1 in early 2022. Known as the T4 Express Link, it will allow vehicles to exit the Tullamarine Freeway onto a dedicated off-ramp, approximately 500 metres north of the existing Mercer Drive exit. The road will travel above the long-term carpark to connect with the existing elevated road, and when complete is expected to reduce travel times from the freeway to the Terminal 4 carpark by around 30%.

Approval to construct Stage 2 of the project was granted by the Commonwealth Government in late 2021. This will involve connecting the T4 Express Link to the Terminal 123 carpark, with levels 2 and 3 of the carpark to be repurposed for passenger pick-up and drop-off, and a new exit ramp from the carpark structure to the Tullamarine Freeway. A new footbridge will connect passengers to the terminals. The new elevated road will provide an intersection-free journey for public and private passenger vehicles, which is expected to help increase throughput, while also improving safety.

The current forecourt will remain open to commercial vehicles such as Skybus, taxis, rideshare vehicles, off-airport shuttles and the Value carpark shuttle bus.

Stage 1 is expected to be operational in 2023, with Stage 2 likely to open in 2025.

Launceston Airport

Each year, around 90% of visitors arrive in Tasmania by air, highlighting the importance of Launceston Airport and its contribution to the state. Launceston Airport is the fifth busiest regional airport in Australia.

In FY22 Launceston Airport serviced 745,621 passengers, a 38% increase on the previous financial year.

In total there were 12,518 aircraft movements in and out of the airport, a 24% increase on the previous year.

State lockdowns impacted travel to and from Tasmania, with the border closed to New South Wales from 25 July and Victoria from 5 August. Flights were reduced between these states to essential services only. The Tasmanian border reopened to Victoria and New South Wales on 15 December. Despite these challenges, the airport saw strong year-end results.

Increasing Services

Seeing an opportunity during the pandemic, Launceston Airport swiftly negotiated new routes to states without border restrictions, with Virgin Australia commencing a three times weekly service between Launceston and Adelaide. It was the first new capital city destination from Launceston in 15 years and the first time an airline has flown the route in 20 years.

Brisbane services also performed strongly, resulting in Virgin Australia increasing services from four return flights a week to a daily service in September. Jetstar increased flight frequency between Launceston and Brisbane, and Qantas began flying four weekly services between the two cities – another first for Launceston Airport.

Virgin Australia also started a new seasonal route between Launceston and Perth, which launched in November 2021. Western Australian border closures saw the route temporarily suspended, but it will return for the spring/summer period in 2022. A seasonal, three times weekly Gold Coast route also took off, operating during December and January.

In February, following advice from the Tasmanian Government, the airport closed the temporary border facility used to process interstate visitors. Masks were required in airport terminals throughout much of FY22, but the mandate was lifted by the Tasmanian Government on 18 June 2022.

Once lockdowns ended across the country, pent-up travel demand translated into high bookings during the summer and Easter holiday periods. In December, the airport had to deploy overflow car parking across the site to meet demand.

April brought the highest number of passengers in more than two years, with 120,526 people passing through the airport over the busy Easter and school holiday period. This was almost 20% above forecast and represented 93% of April 2019 passengers. Growth continued in June, with monthly passenger numbers exceeding pre-pandemic levels for the first time, up 5% on June 2019.

Infrastructure Development

To meet the requirement for enhanced security screening, Launceston Airport is progressing with a redevelopment and expansion of the terminal building, which will also facilitate improved passenger flow. This work is being facilitated by $5.4 million in grant funding from the Tasmanian and Federal governments. Work commenced in August 2022 and is expected to be completed by the end of 2023.

The airport is also in the early planning and investigation stages of a fully integrated transport hub and utilisation of green energy.

A Heads of Agreement was signed to build a new freight facility for Virgin Australia to enable additional cargo operations into Launceston Airport. Construction will commence in the first half of 2023.

An agreement was also signed with the Tasmanian Fire Service for a new air base at Launceston Airport. This will become its principal Tasmanian base and is planned for completion prior to the 2023/24 fire season.

The Federal Government has committed $15 million to the Royal Flying Doctor Service of Tasmania (RFDS) to upgrade its Launceston Airport base. It is envisaged that this will comprise a combined helicopter and fixed wing operation and remain the principal Tasmanian base for RFDS. Discussions are underway with RFDS on the development of this facility.

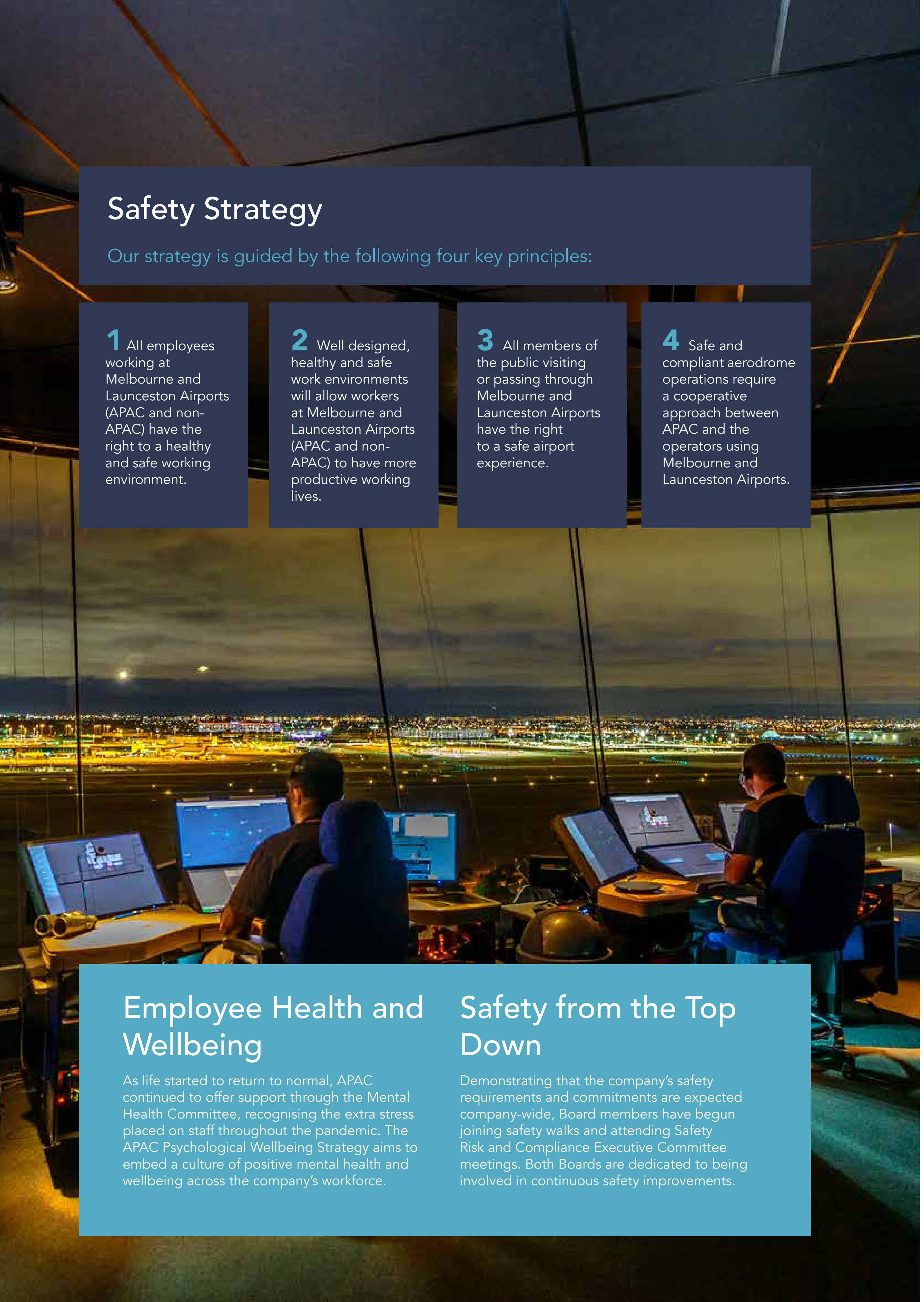
Leading Regional Airport in Australia

A five-year strategic plan was developed, as the airport works to achieve its vision to be the leading regional airport in Australia.

As a critical piece of infrastructure in Tasmania, the strategy focuses heavily on economic development of Northern Tasmania. Working with airlines to deliver new and more frequent scheduled services to the region is a priority, as is increasing flight frequency to cater for business travellers.

The Launceston region continues to increase in popularity, and the city was named Aussie Town of the Year by WOTIF and Tasmania's Top Town in 2022, on top of being designated a UNESCO Creative City of Gastronomy in late 2021.

Partnerships with airlines, Tourism Tasmania, Visit Northern Tasmania and Brand Tasmania have been particularly important to promote Northern Tasmania as a tourism destination and as Launceston Airport develops capacity to meet the ever-increasing popularity of Tasmania. Launceston Airport CEO Shane O'Hare was invited to join the Board of Visit Northern Tasmania, highlighting the airport's role as a major driver of economic development in the state.



Safety Strategy

Our strategy is guided by the following four key principles:

1 All employees working at Melbourne and Launceston Airports (APAC and non-APAC) have the right to a healthy and safe working environment.

2 Well designed, healthy and safe work environments will allow workers at Melbourne and Launceston Airports (APAC and non-APAC) to have more productive working lives.

3 All members of the public visiting or passing through Melbourne and Launceston Airports have the right to a safe airport experience.

4 Safe and compliant aerodrome operations require a cooperative approach between APAC and the operators using Melbourne and Launceston Airports.

Employee Health and Wellbeing

As life started to return to normal, APAC continued to offer support through the Mental Health Committee, recognising the extra stress placed on staff throughout the pandemic. The APAC Psychological Wellbeing Strategy aims to embed a culture of positive mental health and wellbeing across the company's workforce.

Safety from the Top Down

Demonstrating that the company's safety requirements and commitments are expected company-wide, Board members have begun joining safety walks and attending Safety Risk and Compliance Executive Committee meetings. Both Boards are dedicated to being involved in continuous safety improvements.

Safety

As complex operating environments with tens of thousands of people passing through each day, safety is a key priority for Melbourne and Launceston Airports and a duty of care we take seriously.

Return to Safe Operations

As lockdowns lifted, a safe return to operations was the priority. With new staff coming on board as operations ramped up, including many who were new to the aviation environment, Melbourne and Launceston Airports worked with the airlines and their suppliers to ensure APAC's commitment to safety was instilled across the entire business.

This focus extended into projects, with detailed safety reviews of the interface between construction sites and public areas. A new safety initiative called 'Target Zero' was launched to reinforce best practice among contractors and service providers working on airport infrastructure projects. With up to 12 construction projects underway at any time across Melbourne Airport, it is critical that all stakeholders understand APAC's safety vision and expectations.

Hundreds of safety inspections were conducted across both airports throughout the financial year, with a focus on collaborative feedback and continuous learning.

During the pandemic, Melbourne Airport quickly implemented policies and procedures to respond to evolving health guidelines, including the installation of social distancing markers, the introduction of Covid-19 surveillance testing for staff working on-site and procedures for safely transferring international arrivals into Victoria's hotel quarantine program.

As Victorian Government rules changed, the airport has steadily transitioned back to normal operations, while ensuring a Covid-safe environment with hand sanitiser stations available for passengers and regular cleaning of high-traffic areas. The Victorian Government removed the mandate to wear masks in terminals as of 24 June.

Launceston Airport also implemented robust safety protocols during the pandemic including a comprehensive Covid-19 plan. The airport worked closely with state agencies to implement a fit-for-purpose border processing facility for entry into the state of Tasmania.

Emergency Response Preparation

More than 300 people came together in June as part of a full-scale emergency response exercise at Melbourne Airport. It is a Civil Aviation Safety Authority requirement to conduct an exercise every three years to test how APAM and external agencies would respond in an emergency.

The exercise took nine months to coordinate and simulated an aircraft crash on the airfield. People from across Melbourne Airport, Victoria Police, Ambulance Victoria and Aviation Rescue Firefighting participated, with Qantas running a simultaneous exercise to test its processes. Once the aircraft was made safe by fire services, volunteer "passengers" were triaged for injuries by Ambulance Victoria, then registered to be matched with "family and friends".

Overall, the exercise was a success, with the lessons and insights gained to be reviewed and recommendations implemented.

Asset Review

High winds, vibration and an earthquake that struck Victoria in September 2021 caused several assets to fall from height around Melbourne Airport – none that resulted in any injuries or major damage.

This led to an in-depth audit of assets across all terminals and buildings. Every asset was risk-rated as either low, medium or high, with maintenance plans and inspection regimes scheduled to minimise the likelihood of further incidents. No major incidents have occurred since the audit was undertaken, with the audit now extended to assets across the Melbourne Airport Business Park.

Our Environment

Environment, Social and Governance (ESG) Strategy

APAC's vision is to build airports to be proud of, and this includes a commitment to undertake our business operations in an ethical, environmentally friendly and socially responsible manner.

In October 2021, the APAC Board approved the company's ESG strategy, and work is underway to achieve the ambitious targets the business has set for itself.

What does it mean to be an ESG-aligned business?

For APAC, this means:

- Focusing on the preservation and stewardship of the natural and physical environment in which we operate
- Having a positive social impact on our community and stakeholders through engagement, support and advocacy of important social issues
- Driving positive change through responsible governance and leadership

Strategy, Priorities and Targets

	1	2	3	4	5	6
	CARBON EMISSIONS	**WASTE AND RESOURCE RECOVERY**	**FIRST NATIONS**	**DIVERSITY AND INCLUSION**	**SUSTAINABLE PROCUREMENT**	**PFAS AND WATER QUALITY**
OUR PRIORITIES	Achieving net-zero for emissions within our control and working with our partners to support aviation industry decarbonisation	Substantially reducing our waste to landfill and improving resource recovery opportunities	Proactively managing cultural heritage on our airport sites and celebrating First Nations heritage in our terminals	Embedding D&I principles and increasing representation of female leadership within our business	Promoting local employment and embedding sustainable design principles into how we design, build and operate our airports	Minimising our impact on local waterway and effectively managing PFAS
KEY TARGETS	◐ Achieve net-zero Scope 1 & 2 carbon emissions by 2025 ◐ Develop Scope 3 emissions engagement strategy	◐ Mandate use of an organics waste stream in terminals by Dec 2022 ◐ 60% of waste diverted from landfill by the end of June 2024 ◐ 80% of waste from construction projects diverted from landfill by end of FY24 ◐ Zero terminal food waste to landfill by end of 2025	◐ 100% of Melbourne Airport assessed or has Cultural Heritage Management Plan by end of 2025 ◐ "Potential areas of sensitivity" at Launceston Airport assessed for First Nations heritage by end of 2023 ◐ Acknowledge and celebrate First Nations heritage in terminals by end of June 2023	✓ Establish target for women in leadership and senior management roles ✓ Embed diversity and inclusion principles across APAC's business policies and practices	◐ Establish local employment targets for all major capital projects over $20 million by end of 2022 ◐ Establish local employment targets for all service provider contracts with 20+ employees by end of 2022 ✓ Develop and implement a Sustainability in Design Checklist for all new capital projects by end of FY22	● Arundel Creek baseflow water treated 350 days a year ● 100% of PFAS impacted wastewater treated by Water Treatment Plant ◐ Holding polluters to account to manage PFAS and other contaminants

● complete and ongoing ◐ underway ✓ complete

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

United Nations Sustainable Development Goals (SDGs), established in 2015, are a collection of interlinked global goals designed as a blueprint for a better and more sustainable future for all. High-level mapping of strategic and sustainability objectives has identified several SDGs that are relevant and create environmental, social and economic value for the business over time.

Environment and Sustainability

APAC's commitment to environmental management and sustainability remained a priority over the past year, even as the business continued to be impacted by Covid-19.

In FY22 APAC:

1

Had its Environmental Management System (EMS) audited and re-certified against the ISO14001:2015 standard. APAC has maintained its EMS certification since 2004, when Melbourne Airport became the first Australian airport to achieve EMS certification.

2

Continued to voluntarily report under the Global Real Estate Sustainability Benchmark and Sustainalytics frameworks.

3

Revised the Environment and Sustainability Policies for both Melbourne and Launceston Airports to reflect continuous improvement in environmental and sustainability practices.

4

Prepared and began implementing the environment, social and governance strategy.

Energy and Carbon

In January 2022, APAC announced an accelerated target of net zero Scope 1 and Scope 2 emissions by 2025 – the most ambitious carbon emissions reduction plan of any capital city airport in Australia.

This will be achieved by meeting half of Melbourne Airport's energy needs through onsite solar generation by 2030, securing green energy from the Victorian grid via a Green Power Purchasing Agreement (PPA) and reducing energy consumption through continued energy efficiency programs in terminals across the airport estate.

The airport's Green PPA is for 80 gigawatt hours (GWh) linked to high-quality wind farm assets in Victoria. It will commence on 1 July 2023, with the 100% carbon benefit accruing from 1 January 2024.

Melbourne Airport's 12MW solar farm is delivering over 15GWh of electricity each year, almost 15% of the airport's energy needs and enough energy to power all four of the airport's terminals.

Melbourne Airport is in the process of almost doubling on-ground solar from 12MW to 20MW. This is expected to be completed in FY24. Additionally, the airport has committed to ensure the roofs and footprint of future business park developments are designed to support future solar installation.

What are Scope 1, 2 and 3 emissions?

Scope 1 emissions

Direct emissions from owned or controlled sources (for example, combustion of diesel in company-owned vehicles and the use of natural gas to power Melbourne Airport's tri-generation plant).

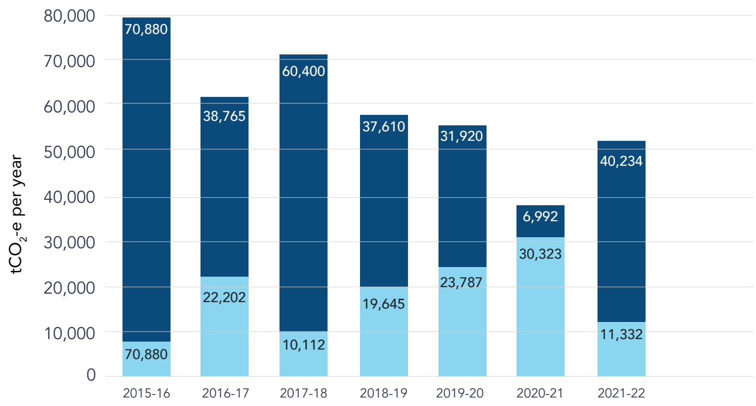
Scope 2 emissions

Indirect emissions from the generation of purchased energy (for example, purchased grid electricity used to power airport facilities).

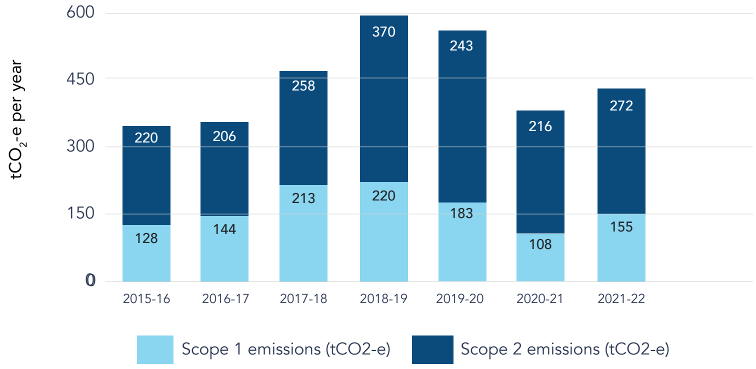
Scope 3 emissions

All relevant indirect emissions (not included in Scope 2) that occur in the value chain of the airport, including both upstream and downstream emissions (for example, aircraft movements, waste from airport tenants, and employee and passenger journeys to and from the airport).

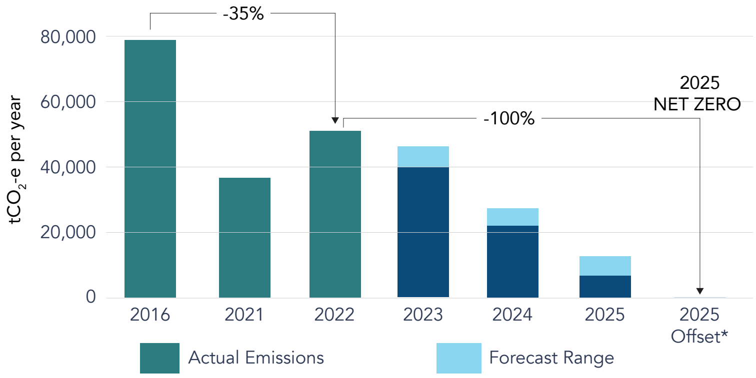
Melbourne Airport Scope 1&2 GHG emissions



Launceston Airport Scope 1&2 GHG emissions



APAC Path to Net Zero (Scope 1 & 2)



Net Zero Carbon Levers

FY22	FY24	FY25	Ongoing	FY25
Onsite Solar 14MW	Green PPA (-80GWh)	Solar Expansion (-10MW)	Energy Efficiency Programme	Residual Carbon Offset

- *Includes ~9,000 tonnes pa of carbon offset for unmitigable sources
- Forecast range of emissions subject to demand and emissions intensity
- Assumes some continued operation of trigeneration plant

APAC is also working with tenants, supply chain and airline partners on Scope 3 emissions. This includes completing a baseline of Scope 3 emissions and including this data in ongoing reporting. The base results highlight that emissions from airline activities are the largest Scope 3 source. However, there are also material sources of emissions from ground transport, construction and tenant operations.

To help inform the next steps, APAC also undertook extensive engagement with key stakeholders and partners across all operational areas to identify opportunities for Scope 3 emissions reduction.

Based on this engagement, APAC expects to formulate and implement further initiatives and targets across four key areas: sustainable flying, green energy, electrifying vehicles, and sustainable design and construction.

Despite the work still to be done, APAC is already acting on immediate opportunities, including:

- A demand study and implementation plan for electric vehicle charging infrastructure, both landside and airside.
- Industry engagement and advocacy on sustainable aviation fuels, including participation in Bioenergy Australia's Sustainable Aviation Fuel Alliance Australia and New Zealand.
- Embedding the Sustainability in Design Checklist into the project management design and implementation cycle, which includes elements that address carbon emissions and energy efficiency.

Climate change

In July 2020, Melbourne Airport completed a Climate Change and Natural Hazard Risk Assessment and Report. The report focused on the risks related to the proposed third runway, ongoing operations of the airport and transition risks related to changing regulatory, customer, disclosure and legal environments associated with climate change and carbon emissions. Taskforce on Climate-Related Financial Disclosures considerations were also covered.

The risk assessment and report concluded there are no physical risks from climate change or natural hazards rated as significant or high, and no impacts rated as major or catastrophic. Several risks were rated as medium and within the risk tolerance of the airport.

While the physical risks are considered manageable based on current scientific knowledge and available controls, the transition risks are potentially more challenging. These include changes to consumer behaviour due to environmental concerns and abrupt or unexpected increases in energy costs due to climate mitigation policies.

APAC has had climate change physical and transition risks on its risk register for several years and is actively addressing these risks in new capital works and via the ESG strategy.

First Nations

APAC acknowledges the First Nations of the Land that the airports operate on. APAC is committed to working closely with the Wurundjeri Woi-wurrung in Melbourne and Aboriginal Heritage Tasmania in Launceston to deepen understanding about how the airports can continue to operate and develop in a way that recognises and celebrates the airports' First Nations cultural heritage.

Melbourne Airport continues to progress the assessment and investigation of the estate for First Nations Heritage. In the last 12 months, more than 300 hectares of the airport have been assessed for First Nations heritage to inform future mitigation and management practices. The airport has also increased internal and external awareness of First Nations heritage through terminal signage, quarterly cultural heritage inductions for employees, contractors and business partners, and engaging the Wurundjeri Woi-wurrung to welcome the re-start of United Airlines flights between Melbourne and San Francisco.

Building on the long-standing relationship with the Wurundjeri Woi-wurrung, in May 2022 Melbourne Airport was proud to contribute a significant sum of money to fund the return of two pieces of significant artwork by Wurundjeri artist William Barak.

The Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation purchased the pieces at auction in New York using crowdsourced funds and donations. The two artworks – *Corroboree (Women in possum skin cloaks)* and a carved and painted parrying shield – date back to 1897 and are rare examples of Barak's works being returned to Wurundjeri ownership.

Further investigations of First Nations heritage have also continued in Launceston. Management met with the Aboriginal Heritage Council Tasmania in November 2021 to outline the results of investigation works to date and the airport's proposed plans, which include further investigations, awareness and celebration in the airport terminal, and on-Country reburial of artefacts.

APAC has also committed to developing a Reconciliation Action Plan for both airports. This is expected to be submitted to Reconciliation Australia by December 2022.

Biodiversity

To celebrate World Environment Day in early June, Melbourne Airport brought together more than 140 people from APAM, service providers, tenants, contractors and business partners to plant more than 1,500 trees and shrubs. The team built on previous years' efforts to improve canopy cover along Moonee Ponds Creek on the airport's north-eastern boundary, and provide habitat for animals, reduce erosion and promote natural regeneration. A further 600 trees were also planted along the Deep Creek and Maribyrnong River corridor as part of ongoing waterway enhancement on that corridor.

Around the Melbourne Airport terminal precinct more than 7,760 native shrubs and trees have been planted to provide micro-habitat for small birds, reptiles and insects. These new micro-habitats are supported by the airport's estate management practices that minimise chemical use, reduce mowing areas, promote natural regeneration and create more green space by removing hardstand.

At Launceston Airport, significant progress has been made to reduce weed cover, re-establish vegetation in the forecourt and continue to monitor and protect the listed silky bush-pea on the airfield.

Pest Plant and Animal Management

As the land manager of over 2,700 hectares, Melbourne Airport is responsible for ensuring it meets its regulatory requirements to deal with pest plants and animals.

Over the last five years the range and impact of several noxious weeds have been significantly reduced, including silver-leaf nightshade, wheel cactus, artichoke thistle, Paterson's curse and serrated tussock, with a focus on those areas that have high ecological significance or high amenity value.

The pest animal program was also reinvigorated in FY22 with an extensive program throughout the landside estate, and additional surveys and treatment works for newly identified sites.

By working collaboratively with other key stakeholders and adjoining land-users such as Parks Victoria, Hume City Council and the Victorian Department of Transport, APAC has been able to achieve more, with less environmental impact across the estate to benefit the whole local community.

Waste and Circular Economy

Melbourne and Launceston Airports have a target to divert 60% of terminal waste from landfill by July 2024.

To achieve this target Melbourne Airport has settled on an organic waste management stream system – expected to go live in August 2022. Melbourne Airport is working closely with terminal retail partners to support the necessary operational changes, as use of the organic waste stream will be mandated within the terminals by the end of 2022. The airport also resumed the co-mingled waste stream in early 2022 following Covid-19 interruptions. As a result of positive engagement with tenants, the airport has seen the level of recycling across the terminals continue to increase.

Launceston Airport has also implemented an organic waste stream for terminal retail partners to reduce waste to landfill. The organic waste stream is separated back-of-house by retail partners and disposed of via the City of Launceston Food Organics and Garden Organics waste program. Separation of organics waste commenced in May 2022 and APAL is working with retailers to continuously improve waste diversion volumes.

In December 2021, Melbourne and Launceston Airports banned single-use plastics such as straws, cutlery, plates, drink stirrers and drink cups in the airports' terminals. Retail and food and beverage partners in the terminals responded positively to the ban and have introduced innovative solutions to remove single-use plastics, such as switching to sustainable and recyclable options like bamboo.

Outside of the terminals, Melbourne Airport is embedding circular economy principles in its construction program, re-using soil, water, concrete and asphalt to reduce resource use, carbon emissions and waste to landfill.

During runway and taxiway repair and upgrading, pavement is removed and reprocessed as crushed aggregate or milled asphalt to be re-used on haul roads or as aggregate for hardstand areas. Rock excavated from estate development has been reused in the last year to restabilise dam spillways and create habitat for the growling grass frog on Arundel Creek.

PFAS and Water Quality

Per- and poly-fluorinated alkyl substances (PFAS) are manufactured chemicals that are used to make products resistant to heat, stains, grease and water and, as stable chemicals, have been widely used for more than 50 years in many consumer and chemical products. Under State and Commonwealth legislation they are considered pollutants of concern and landowners and tenants have an obligation to effectively manage them.

At Melbourne and Launceston Airports, they were extensively used by Airservices Australia and its predecessors in aviation firefighting foam for training and responding to emergency incidents. The foams have also been used to a lesser extent by aviation tenants in hangar deluge systems at Melbourne.

Over the last year, APAC has continued to focus on the management and mitigation of PFAS impacts at both airports. In Melbourne, a second water treatment plant was built and commissioned in January at the bottom of the estate on Arundel Creek to treat the creek's baseline flow. The PFAS Management Framework was updated to be compliant with national guidance, and the airport completed offsite PFAS assessment to verify that it was of negligible to low risk to local landholders' ongoing use for production.

Melbourne Airport has also provided in-kind support to ADE Consulting Group to undertake PFAS material immobilisation trials. ADE received funding from the Victorian Government to undertake trials at the airport's PFAS stockpile facility to test different blending techniques to mix RemBind®, a binding adsorbent, into PFAS-impacted materials.

The results will inform ongoing management of PFAS-impacted soils and other materials in construction projects right across Victoria, unlocking these materials for re-use as valuable resources. The project will also assist in the development of PFAS mitigation for future construction works at the airport.

Further, Melbourne and Launceston Airports were two of only three Commonwealth airports in Australia to commence a pilot PFAS investigation and assessment program funded by the Commonwealth Department of Infrastructure in FY22. The program aims to close any gaps in knowledge of location of PFAS at both airports and develop a holistic PFAS management plan to meet the Commonwealth's regulatory requirements.

APAC continues to work with key stakeholders to hold accountable those parties responsible for PFAS contamination at Melbourne and Launceston Airports.

Our People

Our People

The aviation industry is built on teamwork, and Melbourne and Launceston Airports strive to create an environment that is safe, connected and rewarding.

The People Experience team is focused on fostering a culture that empowers team members to be their authentic selves while encouraging them to think big and do better.

Team Welfare

Two years of pandemic-related restrictions and reduced operations have taken their toll, and one of the greatest challenges faced by APAC has been the mental health of its workforce. The APAC Mental Health and Wellbeing Committee worked to build awareness and improve perceptions of mental health, with a focus on motivating and re-invigorating our people in the most positive, collaborative, and accessible ways possible.

During lockdown periods, work arrangements prioritised minimising risks to staff, and supporting resilience for team members in operational roles.

As pandemic restrictions were eased, the corporate team returned to the airport with a hybrid office model. Most corporate team members now have the option of working from home on Mondays and Fridays, and work from the airport on other days, which provides team members with flexibility but also retains the ability to collaborate in person. A key focus in establishing this arrangement was to protect the safety and well-being of team members while providing them with opportunities for better long-term health, given the fatigue and burn out felt by many as a result of the pandemic.

A New Enterprise Agreement

During the course of the financial year APAC successfully negotiated a new four-year Enterprise Agreement, which is now in effect and has a nominal expiry date of June 2025. The vote received a 95.5% response rate – a clear demonstration of a highly-engaged workforce – with an overwhelming 94.3% of voters endorsing the agreement. This result followed a tumultuous period during the pandemic, in which time APAC staff voted in favour of a pay freeze in the final year of the previous Enterprise Agreement, forgoing their 2020 increase.

Key benefits of the new Enterprise Agreement include the introduction of Paid Pandemic Leave and the ability to access leave for Family and Domestic Violence. The document has also been simplified with the 89 pages of job descriptors moved from the agreement to policy.

Celebrating Diversity

APAC recognises and supports the different people and families represented in its workforce, and our Diversity & Inclusion Strategy ensures our people are successful at work and at home.

This year, APAC participated in the Diversity Council of Australia Workplace Index survey and was accredited as an Inclusive Employer. All Diversity & Inclusion programs aim to support the "APAC Way" and embed diversity and inclusion in the company's practices. The strategy seeks to create a culture where team members understand that everyone is unique, and that managing diversity makes for a more flexible, productive, creative, competitive and ultimately better business. As part of this, the company has undertaken a review of policies, procedures and employment processes to improve diverse representation in the business.

APAC has identified gender-balance targets for our senior leadership, including the APAC and APAL Boards and senior leadership team. These are to achieve a target of 40% female, 40% male and 20% of either for APAC by 2030, and for the Executive Leadership team and APAC Board by 2025. The APAL Board has already met the target.

A phenomenon affecting many industries in the wake of Covid-19 is what's been dubbed "the great resignation", as people reassess their priorities and look for new opportunities. APAC has invested considerable time to ensure it has a modern, compelling and attractive Employee Value Proposition. The aim of this work is to help the organisation to achieve business objectives, deliver on strategic plans and operating goals by attracting high quality talent, while retaining and motivating existing performance-orientated team members.

Looking Ahead

As we move forward under the leadership of a new CEO, the work being undertaken in this space is critical to the overall success of APAC. Rebuilding the broader airport workforce remains a challenge, with a tight labour market hampering recruitment efforts being undertaken by many partners and suppliers. Navigating the post-Covid recovery will require a continued focus on purpose, behaviours, actions, and mindsets that will help our high-performing team create connections that matter.

Engaging our Communities

Melbourne Airport undertook significant community consultation in support of the public exhibition process for the preliminary draft 2022 Master Plan and preliminary draft third runway Major Development Plan. The program included more than 50 in-person and online events held between February and May. In-person community information sessions were held in locations including Keilor, Bulla, Broadmeadows, Avondale Heights, Gisborne, Sunbury, Altona and as far away as Doncaster and Chadstone. The airport committed to open and honest conversations with the community about the forecast benefits and impacts of the project.

Melbourne Airport also undertook a mailout to more than 900,000 properties and significant online, radio and print advertising to help raise awareness of the planned runway and flight path changes. As a result, more than 2,500 submissions were received, all of which will be given due regard by the airport's planning team. Melbourne Airport has committed to ongoing substantive engagement with nearby communities to keep them informed about the approvals process and any project developments.

Supporting Our Neighbours

Melbourne Airport strives to be a good neighbour and actively seeks to enhance nearby communities by supporting the work of organisations that strive to improve education outcomes, employment options and the environment.

This year Melbourne Airport was proud to continue its association with Western Chances by funding a scholarship program that has supported hundreds of young people to achieve their academic and career goals. The program offers tailored scholarships to teenagers living within the Brimbank, Hobsons Bay, Maribyrnong, Melton, Moonee Valley and Wyndham local government areas. Those scholarships typically include textbooks, laptops, internet access, myki cards and materials for those engaged in vocational or artistic education pathways.

Broadmeadows-based Banksia Gardens Community Services received funding for its Grade 6 scholarship program, supporting children with their transition to Year 7.

For the fourth consecutive year Melbourne Airport ran a Community Grants Program, which delivered $10,000 grants to ten community groups and Neighbourhood Houses operating in the city's north-west. The grants enable successful applicants to run initiatives that support employment and education outcomes targeted towards migrants and young people from culturally diverse backgrounds.

Local Employment

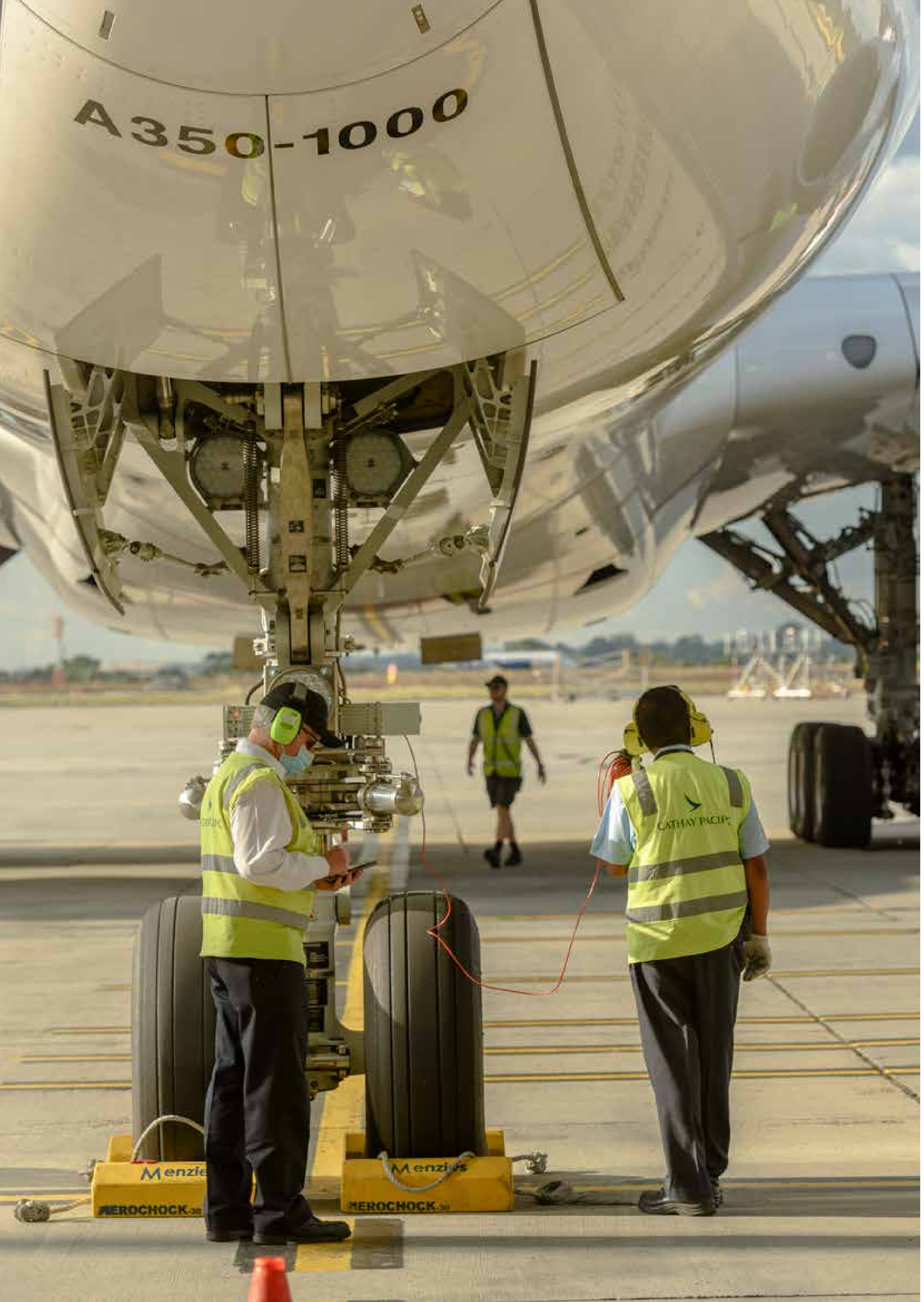
Melbourne Airport is one of the largest single-site employment hubs in Victoria, and roughly 70% of the airport workforce live in the seven surrounding local government areas. As the aviation sector worked to rebuild from the impacts of Covid-19, Melbourne Airport looked for opportunities to link local jobseekers with potential employers. As part of those efforts, Melbourne Airport partnered with Brimbank Council to stage a mini-jobs fair at Sunshine which resulted in a number of candidates being offered positions. Other councils have expressed interest in similar ventures.

Melbourne Airport is also working towards local procurement targets for major projects such as the proposed third runway, to ensure nearby businesses and communities benefit from the increase in activity on the airport precinct.

Protecting Our Environment

Melbourne Airport is proud to support the work of Conservation Volunteers Australia to save the Eastern Barred Bandicoot from extinction.

Since 2013, when 47 bandicoots were released in the Woodlands Historic Park as part of the Healthy Habitats program, the number of animals in the 230-hectare predator-proof sanctuary has increased to more than 500. This has allowed the establishment of other sanctuaries across Victoria, with a total of 1,500 bandicoots now in the wild. In September, the Victorian Government announced that because of this program the Eastern Barred Bandicoot had been saved from extinction, and its conservation status changed from "threatened" to "endangered".



Risk Governance, Management and Assurance

We recognise that rigorous risk management, governance and assurance are essential for corporate stability and for sustaining long term performance.

Risk Governance

APAC has developed a sound risk management framework that provides the basis for good corporate governance, supports the business in achieving its objectives, and fosters a culture of transparency.

The risk framework has been independently reviewed by Ernst & Young Australia and APAC is currently working through the recommendations as part of our continuous improvement cycle to improve our overall risk maturity.

It recognises that security issues, travel restrictions and government decision making all pose potential risks to APAC's operations.

APAC's Board of Directors and Senior Leadership Team have responsibility for driving and supporting risk management across the business.

Throughout the Covid-19 pandemic the company has progressively evolved its risk management strategy, with constant reviews of the corporate risk profile and risk control effectiveness.

Assurance

APAC maintains an internal audit function that provides a systematic and disciplined approach to evaluating and continually improving the effectiveness of risk management and internal control processes.

The Audit and Risk Management Committee, a Board sub-committee, is responsible for approving the scope of the internal audit plan, overseeing the performance of the internal audit team and reporting to the Board on the status of the risk management system.

The combined strength of APAC's culture of accountability, risk management and assurance activities – our three lines of defence – provide the company with an effective risk management framework.

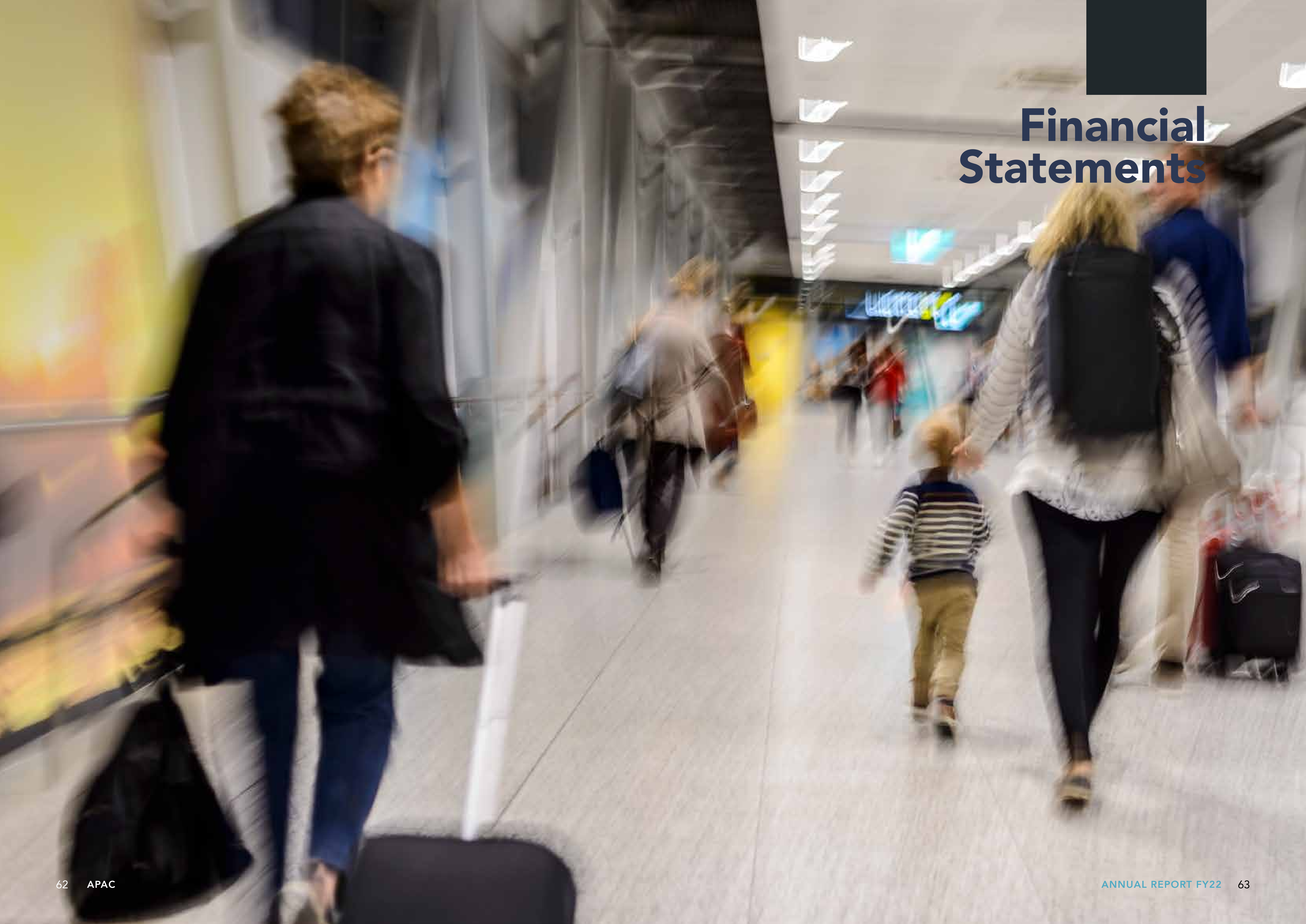
Our Approach

APAC's approach to risk management remains guided by three key principles:

1. CULTURE We want to build a strong risk management and control culture, promote awareness, ownership and proactive management of key risks while promoting prudent risk taking.

2. STRUCTURE We seek to put in place an organisational structure that promotes good corporate governance, provides for appropriate segregation of duties, defines responsibility and authority for risk taking, and promotes ownership and accountability for risk management.

3. PROCESS We seek to implement robust processes and systems for effective identification, analysis, evaluation and treatment of risk. We seek to improve our risk management and internal control policies and procedures on an on-going basis and ensure that they remain sound and robust by benchmarking to global best practices.



Financial Statements

Directors' Report

30 June 2022

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 2022.

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

After more than two years of uncertainty, 2022 marked the return of travel, with just short of 14 million passengers welcomed through Melbourne and Launceston Airports, 12 million of those since the gradual reopening of borders from November 2021. It was in stark contrast to the beginning of the financial year, which was marked by severe lockdowns and travel restrictions, with the vaccine providing a pathway out for Melbourne, Australia and the aviation industry.

Following the easing of restrictions in January, domestic travel rebounded quickly. Australians embraced domestic leisure travel through the Easter holiday period. Domestic travel returned to 94% of 2019 levels by June 2022 supported by holiday traffic with levels above 80% for July and August 2022. Operationally, the pace of recovery presented new challenges, and the airport and its partners stepped up to ensure passengers were being well served.

With the relaxation of most travel restrictions in and out of Australia, international travel has since also returned albeit the pace of recovery being far slower. With the key mainland China market remaining closed, the focus is on expanding underserved markets such as India, Vietnam, Korea and North America. International travel returned to 50% of 2019 levels by June 2022.

As the recovery from the pandemic progresses, the Group is focused on recovering even more strongly. Key highlights from FY22 include:

- The Group focussed on restoring lost capacity, working in collaboration with the Victorian government on the re-attraction of international airlines to Victoria.
- Qantas Group had one of its most successful launches to date, when it began flights from Melbourne to Delhi in December 2021, servicing Melbourne's significant Indian population. The Indian route is a significant driver of passenger return.
- Jetstar resumed flights to popular leisure destinations including Bali, Vietnam and Hawaii.
- As demand for travel to Europe increased, key carriers such as Singapore Airlines, Etihad and Qatar increased frequencies from Melbourne, with Emirates returning the double daily A380 service to Dubai.
- Low cost start up airline Bonza announced Melbourne Airport as its capital city base, initially servicing nine routes from Melbourne, including many not currently serviced by established airlines.
- The Group delivered several developments across the precinct focused on an improved traveller experience, including the Terminal 3 and 4 link, which provides greater connectivity across terminals and an enhanced retail experience.
- Terminal 1 retail is being re-imagined, with a uniquely Melbourne offering. Twenty-eight stores will progressively open through FY23.
- Uber kerbside launched in 2021, leveraging Uber's PIN technology and providing travellers with significantly reduced wait times and the additional benefit of improved safety and relocation of travellers closer to the terminal.
- Construction of a one-way elevated road connecting the Tullamarine freeway to T4 and T1,2,3 commenced, with a reconfigured transport hub which will provide intersection free connectivity to alleviate traffic congestion.
- The development plan for Melbourne Airport's proposed third runway went on public exhibition along with the preliminary draft Master Plan, from February to May 2022 and together they received more than 2,500 public submissions.
- The Property portfolio continues to perform well, providing diversification of revenues that underpinned the business resilience through Covid-19. The Seqiris/CSL vaccine facility is in construction and remains on track to be complete by FY25.
- The Board approved the restart of the Square Hotel development, which was paused during Covid-19. The hotel has 464 rooms, 350 banquet seated conference centre, restaurants, wine bar and a wellness centre.

The company's financial performance improved significantly as passengers returned, reporting an underlying EBITDA of $311 million, a $140 million increase over 2021.

APAC's balance sheet remains strong. The Group has $1,778 million of liquidity at balance date and during the year continued to access capital markets during the year, with a $700 million 10-year domestic bond and extended bank facilities $540 million Syndicated Facility to 31 March 2024, $100 million bilateral to 15 January 2024 and established a new 3 year $50 million bilateral maturing 26 May 2025. These funding outcomes demonstrate the strong fundamentals of the business and its resilience. APAC values the support of its lenders through the pandemic and is pleased to report a return to financial covenant compliance for the period ended 30 June 2022.

Lyell Strambi retired from his role as Chief Executive officer; Lorie Argus, former Chief of Aviation, was appointed CEO from 1 July 2022.

Financial results

Group revenue was $538.5 million for the year, $199 million above FY21 and Operating Profit was $297.9 million, representing a 78% increase on FY21.

Passenger levels increased to 13.7 million passengers for FY22 compared to 6.7 million in FY21. The higher passenger levels contributed to improved aeronautical revenue with an overall increase of $93.7 million to $182.8m in FY22.

Ground Transport revenue experienced significant uplift with a 90% increase in revenues to $112.6m in FY22 with the recommencement of parking charges from 1 November 2021, increased passenger numbers, and a benefit from traveller preference for driving and parking rather than utilising public transport.

Retail revenue increased $23.2 million to $38.8 million in FY22 aligned to passenger recovery, reopening of stores and associated retail spend.

Property delivered $119.2 million in revenue, an increase of 8% on FY21, supported by lower levels of tenant rent relief, increase in rent escalations and the addition of new developments.

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

Underlying operating costs excluding security pass through, software as a service (SaaS) costs ($21.9 million) and the benefit arising from a reduction in the Group's expected credit loss provision ($7.1 million) were $181.3 million, 29% higher than FY21, driven by increases in staff costs, maintenance required to return critical assets from hibernation and increased cleaning supporting higher passenger levels

Depreciation remained relatively consistent to FY21 whilst overall finance costs decreased by $6.6 million in FY22 in line with the staged interest minimisation program.

The results include a gain on revaluation of investment property of $119.3 million, with the portfolio valued at $2.2 billion. This revaluation gain was driven by the compression of capitalisation rates in the industrial sector, rental growth and an increase of the value of development land.

The Group generated a statutory loss before tax of $31.1 million (FY21 profit $92.8 million).

Underlying Operating Profit for the year

As disclosed in the Statement of Profit or Loss and Other Comprehensive Income, "Operating Profit" represents profit before finance costs, income tax, depreciation and amortisation, impairment losses associated with assets under construction and changes in the fair value of investment properties.

Underlying Operating Profit further excludes certain significant income and expense items that qualify for adjustment as part of the Group's reporting on covenant compliance to its lenders, as further described in Note 4.

Summarised below is a reconciliation between reported Operating Profit and Underlying Operating Profit:

Description Title	Note	2022 $'000	2021 $'000
Operating Profit (reported)		297,924	167,160
Allowance for expected credit losses – (Reversal)/expense	4	(6,766)	(9,503)
Software as a Service expense	4	19,833	13,303
Underlying Operating Profit		**310,991**	**170,960**

Significant changes in the state of affairs

Aside from the matters discussed in the "Review of Operations" section, there were no significant changes in the state of affairs of the Group during the financial year.

Dividends

No dividend has been declared for the year ended 30 June 2022 (2021: Nil).

Events occurring after balance sheet date

On 29 June 2022, the Board approved the Group's funding and interest rate management strategy. The interest rate management strategy aims to increase the level of interest cost certainty given the rising interest rates environment. The Group executed $400m of interest rate hedging in early July 2022, which gives the Group protection against rising interest rates within a protected range for four years from September 2023.

The Group executed a $380m term loan with existing Asian term loan investors ($139m at 5 year tenure, $241m at 7 year tenure), with financial close on 19 August 2022.

Other than stated, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors

Directors Name	Position	Period of directorship
Peter Hay	Chair	Appointed 1 June 2019
Michael Cummings	Director	Appointed 19 March 2015
Danny Elia	Director	Appointed 6 October 2015
James Fraser-Smith	Director	Appointed 15 September 2016
Raphael Arndt	Director	Appointed 29 August 2019
Talieh Williams	Director	Appointed 1 January 2022
David Dowling	Director	Appointed 14 June 2022
Lyell Strambi	Managing Director	Appointed 9 November 2015, resigned 30 June 2022
Lianne Buck	Director	Appointed 14 October 2016, resigned 1 January 2022
Debbie Goodin	Director	Appointed 1 March 2020, resigned 8 June 2022
David Kenny	Director	Appointed 7 December 2015, resigned 14 June 2022

Peter Hay, Chair

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

Lyell Strambi
Managing Director and Chief Executive Officer

Mr Strambi has extensive aviation experience spanning more than 40 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. Mr Strambi is currently a Director of Aurizon Holdings Limited. Mr Strambi resigned effective 30 June 2022.

Michael Cummings
Director and Chair of Remuneration Committee

Mr Cummings is Co-Head of AMP Capital's Australian Infrastructure business. In addition to APAC, Mr Cummings is on the boards of Powerco NZ, Endeavour Energy, Opal Health Care and Chair of Evergen. Mr Cummings has over 30 years of international experience in the infrastructure sector – having held senior executive positions in a number of major energy infrastructure companies. Mr Cummings is a Fellow of the Australian Institute of Company Directors, and a Chartered Member of Engineering New Zealand.

Danny Elia, Director

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

James Fraser-Smith, Director

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

David Dowling, Director

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

Talieh Williams, Director

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

Raphael Arndt, Director

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

Meeting of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Full Board		Remuneration Committee		Audit, Risk and Finance Committee	
	Held	Attended	Held	Attended	Held	Attended
Peter Hay	8	8	3	3	5	4
Lyell Strambi	8	8	3	3	5	5
Raphael Arndt	8	6	-	-	-	-
Lianne Buck	4	4	1	1	4	4
Michael Cummings	8	7	3	3	-	-
Alternate - David Dowling	-	1	-	-	-	-
Danny Elia	8	8	3	3	-	-
Debbie Goodin	7	7	-	-	5	5
James Fraser-Smith	8	7	3	3	-	-
David Kenny	7	7	-	-	5	4
Alternate - David Dowling	1	1	-	-	-	-
Talieh Williams	4	4	2	2	1	1

Those attended by the Company Secretary were:

	Held	Attended	Held	Attended	Held	Attended
Aaron Gant	8	8	3	3	5	5

Future Developments

The Group's future developments and operations are included within the Master Plans of Melbourne Airport (2018) and Launceston Airport (2020). The documents, published every five years for Melbourne and eight years for Launceston, include setting the strategic direction for each airport, providing plans for development, documenting to the public the intended uses of the sites and development proposals and ensuring compliance with environmental legislation and standards.

Formal exhibition of APAM's preliminary 2022 Master Plan and preliminary third runway draft Major Development Plan were on display from 1 February 2022 to 16 May 2022.

The plans include details of APAM's plan to build a third runway with the community invited to provide feedback during the exhibition period. The new 3000 metre runway will run parallel to the existing north-south runway and will increase the airport's capacity allowing for simultaneous arrivals and departures.

Environmental Regulation

In relation to environmental matters, the Group is subject to the Airports Act 1996 (Cth) ("the Act") and the Airports (Environment Protection) Regulations 1997 ("the Regulations"). The Group is satisfied that the results of environmental monitoring conducted by internal and external specialists during the year ended 30 June 2022 demonstrate compliance with the Act and the Regulations in all material respects.

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

Indemnity and insurance of officers and auditors

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

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

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

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

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

Auditor's independence

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

Rounding 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.

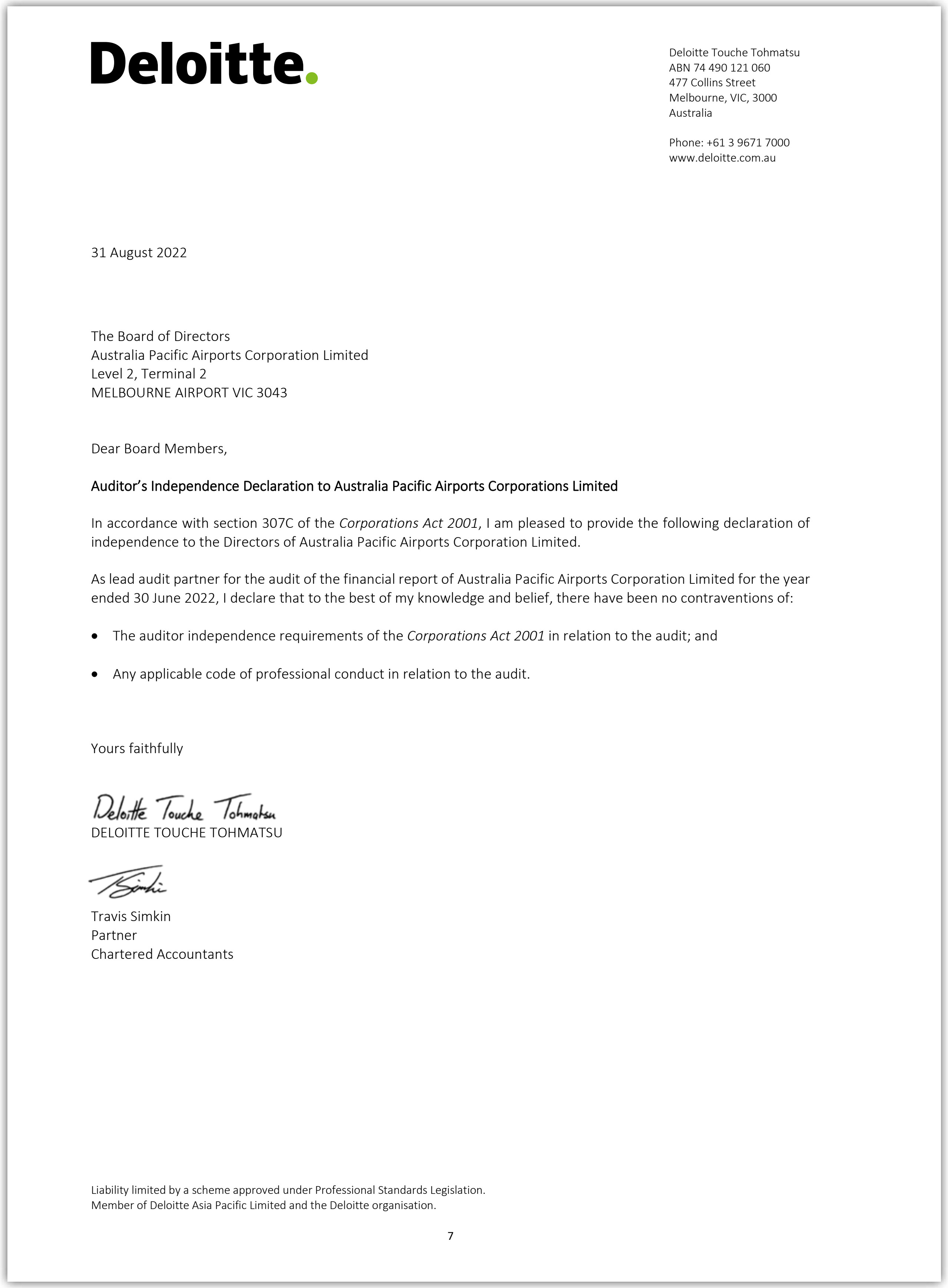
This report is made in accordance with a resolution of the Directors.

On behalf of the Directors

Peter Hay
Chair

31 August 2022, Melbourne

Auditors Independence Declaration



Deloitte.

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31 August 2022

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

Dear Board Members,

Auditor's Independence Declaration to Australia Pacific Airports Corporations 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 report of Australia Pacific Airports Corporation Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Travis Simkin
Partner
Chartered Accountants

Contents

General Information

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

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

Its registered office and principal place of business is:

Level 2, Terminal 2,
Melbourne Airport VIC 3043
(03) 9297 1600

website: www.melbourneairport.com.au

Email: reception@melair.com.au

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 31 August 2022.

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue			
Aeronautical		182,770	89,073
Security	6	49,362	31,598
Retail		38,808	15,603
Ground Transport		112,587	59,387
Property		119,212	110,870
Outgoings/recharges		31,612	28,885
Interest		25	47
Other income		4,021	4,023
Profit on sale of property, plant and equipment		106	-
Total revenue		**538,503**	**339,486**
Expenses			
Staff costs		(62,386)	(45,336)
Security	6	(44,471)	(28,350)
Services and utilities		(80,378)	(67,502)
Maintenance costs		(20,745)	(14,634)
Administration and marketing costs		(9,103)	(4,529)
Other costs		(8,650)	(8,455)
Software as a Service expense		(21,924)	(13,303)
Allowance for expected credit losses – reversal/(expense)		7,078	9,783
Total expenses		**(240,579)**	**(172,326)**
Operating profit		**297,924**	**167,160**
Change in fair value of investment property	12	119,276	387,977
Depreciation and amortisation and impairment losses	5	(267,110)	(274,482)
Borrowing costs	5	(181,227)	(187,818)
Profit (loss) before income tax (expense)/benefit		**(31,137)**	**92,837**
Income tax (expense)/benefit	7	10,684	(29,282)
Profit (loss) after income tax (expense)/benefit for the year		**(20,453)**	**63,555**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		104,024	17,882
Other comprehensive profit/(loss) for the year, net of tax		104,024	17,882
Total comprehensive income for the year		**83,571**	**81,437**

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

Consolidated statement of financial position as at 30 June 2022

	Note	2022 $'000	2021 $'000
Assets			
Current assets			
Cash and cash equivalents		53,445	32,186
Trade and other receivables	8	80,086	36,964
Derivative financial instruments	16	-	76,704
Accrued revenue	9	24,852	24,369
Other assets	10	13,309	2,515
Total current assets		**171,692**	**172,738**
Non-current assets			
Property, plant and equipment	11	3,444,310	3,507,868
Investment properties	12	2,199,574	2,060,686
Intangible assets	13	677,001	684,875
Derivative financial instruments	16	307,208	300,707
Accrued revenue	9	138,902	141,552
Other assets	10	2,057	2,267
Total non-current assets		**6,769,052**	**6,697,955**
Total assets		**6,940,744**	**6,870,693**
Liabilities			
Current liabilities			
Payables	14	81,995	114,357
Borrowings	15	374,873	266,610
Employee benefit provisions		22,633	15,279
Derivative financial instruments	16	-	6,948
Lease liabilities	18	1,287	1,287
Unearned income		19,809	4,925
Total current liabilities		**500,597**	**409,406**
Non-current liabilities			
Payables	14	3,702	4,952
Borrowings	15	4,684,575	4,728,078
Deferred tax liability	7	599,927	566,050
Employee benefit provisions		1,811	1,699
Derivative financial instruments	16	40,359	134,845
Lease liabilities	18	3,127	3,776
Unearned income		5,156	3,968
Total non-current liabilities		**5,338,657**	**5,443,368**
Total liabilities		**5,839,254**	**5,852,774**
Net assets		**1,101,490**	**1,017,919**
Equity			
Issued capital	20	118,100	118,100
Hedging reserves	21	(35,771)	(139,795)
Retained profits		1,019,161	1,039,614
Total equity		**1,101,490**	**1,017,919**

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

Consolidated statement of changes in equity for the year ended 30 June 2022

	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	118,100	(157,677)	988,041	948,464
Adjustment for change in accounting policy (Note	-	-	(11,982)	(11,982)
Balance at 1 July 2020 - restated	118,100	(157,677)	976,059	936,482
Profit after income tax expense for the year	-	-	63,555	63,555
Other comprehensive loss for the year, net of tax	-	17,882	-	17,882
Total comprehensive income for the year	**-**	**17,882**	**63,555**	**81,437**
Balance at 30 June 2021	**118,100**	**(139,795)**	**1,039,614**	**1,017,919**
Balance at 1 July 2021	**118,100**	**(139,795)**	**1,039,614**	**1,017,919**
Loss after income tax benefit for the year	-	-	(20,453)	(20,453)
Other comprehensive income for the year, net of tax	-	104,024	-	104,024
Total comprehensive profit/(loss) for the year	**-**	**104,024**	**(20,453)**	**83,571**
Balance at 30 June 2022	**118,100**	**(35,771)**	**1,019,161**	**1,101,490**

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

Consolidated statement of cash flows for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		573,615	354,996
Payments to suppliers and employees		(296,475)	(196,519)
Payments for Software as a Service		(22,862)	(11,440)
Interest received		25	47
Interest paid		(113,162)	(176,669)
Income tax (refund)/paid		(21)	42,608
Net cash from operating activities	**25**	**141,120**	**13,023**
Cash flows from investing activities			
Payments for investment property	12	(19,612)	(71,173)
Payments for property, plant and equipment		(214,052)	(275,292)
Payments for intangibles		(405)	(25)
Proceeds from disposal of property, plant and equipment		106	-
Net cash used in investing activities		**(233,963)**	**(346,490)**
Cash flows from financing activities			
Proceeds from borrowings	15	1,211,500	624,000
Repayment of borrowings	15	(1,027,877)	(294,000)
Payment for hedging restructure	15	(65,853)	(94,883)
Repayment of lease liabilities		(649)	(949)
Payment for debt issue costs		(3,019)	(2,308)
Net cash from financing activities		**114,102**	**231,860**
Net increase/(decrease) in cash and cash equivalents		21,259	(101,607)
Cash and cash equivalents at the beginning of the financial year		32,186	133,793
Cash and cash equivalents at the end of the financial year		**53,445**	**32,186**

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

Notes to the consolidated financial statements 30 June 2022

1. Basis of preparation

Statement of compliance

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

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

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

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

The financial statements were authorised for issue by the Directors on 31 August 2022.

Comparative amounts

Certain comparative amounts have been reclassified to conform to the current period's presentation.

Rounding of amounts

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

Going concern

In assessing the financial position of the Group, the Directors are of the view that the Group is positioned to continue operations and has sufficient liquidity available to meet all its operating, refinancing and funding cost requirements over the course of the next 12 months and remain confident of the viability of the long term plan of the Group.

During the year the Group issued a $700 million 10-year domestic bond and extended bank facilities, $540 million Syndicated Facility to 31 March 2024, $100 million bilateral to 15 January 2024 and established a new 3 year $50 million bilateral maturing 26 May 2025, to early refinance upcoming maturities. The Group was in a net current liability position of $329 million at 30 June 2022 (30 June 2021: net current liability $237 million). The net current liability position is was comfortably covered by available liquidity as at 30 June 2022 in the form of cash and undrawn bank facilities of $1,778 million (June 2021, $1,431 million).

Management has commenced debt raising activities with the aim of pre-funding the next non-current bonds maturing in September 2023 for an amount of $976 million.

Over the past 2 years, the Group has restructured certain elements of its derivative portfolio, aimed at reducing interest payments in the short term. The restructures reset out of the money fixed rate cross currency and interest rate swaps to current market interest rates, retaining the historic credit margin. This interest minimisation strategy reduced interest by $106 million in FY22 (FY2021: $36 million) and is expected to deliver a final $15 million reduction in interest for FY23.

The Group achieved compliance with Covenant waiver in respect of the Cash Cover Ratio (CCR) for bank and USPP borrowings for the 30 June 2022 testing period. Strong passenger performance, together with the impact of interest minimisation, assisted the Group in achieving a CCR ratio of 3.86 times for the 6-month period ended 30 June 2022, exceeding the 1.2 times requirement

The Directors have reviewed detailed cash flow projections prepared by management covering a period of 12 months from the date of approval for these year-end financial statements, factoring in the expected impact of the continued recovery from the Covid-19 pandemic on the Group. This considers forecast revenue, operating cash flows including operating and capital expenditure, interest minimisation program and the Group's liquidity position.

The forecast passenger numbers underpinning the financial projections assume no major changes to current border settings within Australia. Based on these passenger forecasts the Group expects to continue to be compliant with the CCR covenant 31 December 2022 and 30 June 2023.

The Group continues to engage with lenders and rating agencies on current operating performance, commercial and financial performance. The Group's shareholders are committed to ensuring it retains its investment grade credit rating throughout the Covid-19 impacted period.

In summary, the Directors are satisfied that the Group has available liquidity to support its operating activities over the course of the next 12 months and will be able to meet its debts as and when they fall due. As a result, the financial statements have been approved on a going concern basis.

2. Significant accounting policies

Aeronautical revenue

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

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

Aeronautical revenues are billed on a monthly basis.

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

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

Security recovery revenues

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

Security recovery revenues are billed on a monthly basis.

Ground Transport revenues

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

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

Retail revenues

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

Property revenues

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

New or amended Accounting Standards and Interpretations adopted

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

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

The interest rate benchmark reforms aim to discontinue Interbank Offered Rates (IBOR) and replace these with alternative benchmark interest rates referred to as 'risk free rates' (RFRs). IBORs are interest rate benchmarks that are used in a wide variety of financial instruments such as derivatives and lending arrangements. Examples of IBOR include 'LIBOR' (the London Inter-bank Offered Rate), 'EURIBOR' (the Euro Inter-bank Offered Rate) and 'BBSW' (the Australian Bank Bill Swap Rate).

The nature of the reforms varies across different jurisdictions. In Australia the existing IBOR benchmark (BBSW) has undergone reform and is expected to continue for the foreseeable future alongside the nominated RFR for AUD which is AONIA (AUD Overnight Index Average). By contrast, LIBOR publication is expected to cease. A transition away from LIBOR is therefore necessary. The cessation date for all tenors of LIBOR and the one week and two-month tenors for USD LIBOR was 31 December 2021. The cessation date for the remaining USD LIBOR tenors is 30 June 2023. There is no intention of the regulator to replace EURIBOR at this time.

In response to the interest rate benchmark reforms, the Australia Accounting Standards Board (AASB) issued:

AASB 2019-3 Interest Rate Benchmark Reform (AASB 2019-3)

AASB 2020-8 Interest Rate Benchmark Reform – Phase 2 (AASB 2020-8)

AASB 2019-3 provides relief from certain hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the reforms. The Group early adopted these amendments for the year ended 30 June 2020.

AASB 2020-8 addresses accounting issues following the transition to RFR. The amendments provide relief from applying certain requirements related to hedge accounting and the modification of financial assets and financial liabilities if certain criteria are met. These amendments enable the Group to reflect the effects of transitioning IBORs to RFRs without giving rise to accounting impacts that would not provide useful information to users of financial statements. As required, these amendments have been adopted by the Group in the current year, effective from 1 July 2021.

Impact on financial reporting

The Group has performed an assessment of exposures linked to LIBOR at 30 June 2022, the results of which were as follows:

- Debt and hedging instruments: The Group has not identified any debt or hedging instruments directly linked to LIBOR as all offshore bonds have been issued in fixed rate and any swap instruments swap the fixed foreign denominated interest rate to either a fixed or floating BBSW interest rate.
- Leases: The Group currently does not have any leases with an IBOR as the basis for lease payments.

Whilst not having any direct LIBOR linked debt or swap instruments:

- The Group has designated derivative hedging instruments in hedge accounting relationships against the fair value exposure of the Group's USD fixed rate debt associated with USD LIBOR benchmark interest rate risks, resulting in an indirect exposure to the transition away from USD LIBOR to the Secured Overnight Financing Rate (SOFR) – a benchmark rate, which is expected to be widely adopted and to effectively replace the US LIBOR in new contracts from 2022.
- The Group has identified certain CCIRS hedging instruments, swapping fixed USD rate to floating AUD BBSW, referencing 3-month USD LIBOR for both hedge accounting and valuation purposes, which will be impacted upon discontinuation of 3-month US LIBOR on 30 June 2023.

Hedging instruments that reference the 3-month US LIBOR:

Notional in USD	Notional in AUD	Maturing in	Hedge Relationship	Hedging Instrument (prior to transition)	Hedged Item
USD 105m	AUD 152m	2031	Fair Value Hedge	Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay LIBOR3m.	Benchmark interest rate (LIBOR3m) portion of USD coupons over the life of the bond.
			Cash Flow Hedge	Receive LIBOR3m, pay AUD BBSW3m combined with USD and AUD principal exchanges at effective and maturity date.	USD principal repayment of the bond from first repayment date until maturity of the bond.
			Cash Flow Hedge	Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m.	USD Margin above benchmark rate component of the USD fixed coupon payable on the Bond (equivalent to credit margin on debt) over the term of the bond.

For these hedge relationships, management has assessed that the overall economics of the hedging transactions will not be modified as part of the transition process as there is no direct exposure to LIBOR, however, should any benchmark rates change this will be effected in the underlying hedge relationships.

The Group plans to transition its hedge documentation and valuations prior to the cessation of the 3-month US LIBOR on 30 June 2023 and is working closely with its treasury management system vendor and swap counterparties to understand the impact that the transition might have on the availability and liquidity in forward interest rate curves and any impact on the valuation of the CCIRS.

At 30 June 2022, no hedging instruments or hedged items have transitioned to RFRs and there have been no changes in risk management practices.

AASB 2021-3 Covid 19-Related Rent Concessions beyond 30 June 2021

In the prior year the Group adopted AASB 2020-4 Covid-19-Related Rent Concessions that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, through a practical expedient.

In the current period, the Group has received no rent concessions that are eligible for the practical expedient to AASB 16.

Standards in issue not yet effective

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date. Effective date: 1 January 2023

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments. Effective date: 1 January 2022

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates. Effective date: 1 January 2023

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Effective date: 1 January 2023.

3. Critical accounting judgements, estimates and assumptions

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

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

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

Critical judgements

- Going Concern (Note 1)

Key sources of estimation uncertainty

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

4. Significant income and expense items

Included in the financial statements are a number of significant income and expense items that qualify for adjustment as part of the Group's reporting on covenant compliance to its lenders.

Expenses	2022 $'000	2021 $'000
Allowance for expected credit losses - reversal/(expense) (i)	6,766	9,503
Software as a Service expense (ii)	(19,833)	(13,303)
	(13,067)	**(3,800)**

(i) Allowance for expected credit losses

The reversal of the allowance for expected credit losses of $6.8 million relates to better than expected recovery of international security revenue previously provided for against accrued revenue. The prior year reversal of $9.2 million relates to outstanding amounts for Virgin Australia Holdings that had been provided for at 30 June 2020 and a reduction in overall outstanding balances that formed the basis of the allowance for expected credit losses at 30 June 2021.

(ii) Software as a Service expense

The Group revised its accounting policy in relation to SaaS arrangements in line with IFRIC guidance in 2021. All expenditure in both financial years in relation to SaaS arrangements has been assessed under the new guidance and expensed or capitalised as appropriate. $19.8 million of SaaS related costs have been recognised as an expense in the current year. The costs relate to the implementation of an enterprise resource planning system, the cost of the implementation of Enterprise Data Program and Cyber Security applications, all of which are SaaS arrangements.

5. Profit for the year

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

	2022 $'000	2021 $'000
Employee benefits expense - superannuation contributions	5,006	4,687
Depreciation, amortisation: and impairment losses:		
Depreciation of property, plant and equipment	257,344	263,937
Amortisaton of intangible assets	8,279	10,171
Impairment of asset under construction	1,487	374
Total depreciation, amortisation and impairment losses	**267,110**	**274,482**
Borrowing costs:		
Interest:		
- Secured debt	117,589	174,555
- Interest capitalised during the period	(5,261)	(16,068)
- Amortisation of deferred borrowing costs	7,244	6,784
Hedge reserve unwind	60,116	21,372
Interest - Lease liabilities	531	446
Other finance costs	1,008	729
Total borrowing costs:	**181,227**	**187,818**

6. Security

	2022 $'000	2021 $'000
Security revenue	49,362	31,598
Security costs	(44,471)	(28,350)
Security depreciation and other costs	(4,891)	(3,248)
	-	-

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

7. Income Tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

(a) Income tax recognised in profit

	2022 $'000	2021 $'000
Income tax expense comprises of:		
Deferred tax expense	(9,180)	29,307
Current tax in respect of prior years	-	(1,696)
Deferred tax in respect of prior years	(1,504)	1,671
Aggregate income tax expense	**(10,684)**	**29,282**
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
(Loss)/profit before income tax expense	**(31,140)**	**92,837**
Tax at the statutory tax rate of 30% (2021: 30%)	(9,342)	27,851
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	-	-
Non-deductible expenses	162	1,456
Deferred tax in respect of prior years	(1,504)	1,671
Current tax in respect of prior years	-	(1,696)
Income tax expense	**(10,684)**	**29,282**

(b) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

2022	Consolidated			
	Opening balance 1 July 2021 $'000	Charged to income $'000	Charged to equity $'000	Closing balance 30 June 2022 $'000
Gross deferred tax liabilities:				
Property, plant & equipment	(185,005)	16,506	-	**(168,499)**
Accrued revenue	(38,838)	926	-	**(37,912)**
Investment property	(484,435)	(37,085)	-	**(521,520)**
Other assets	(3,000)	1,653	-	**(1,347)**
Deferred borrowing costs	(1,174)	1,174	-	**-**
	(712,452)	**(16,826)**	-	**(729,278)**
Gross deferred tax assets:				
Provisions & accruals	6,440	1,577	-	**8,017**
Unearned income	1,125	(1,130)	-	**(5)**
Hedge reserve	59,913	-	(44,561)	**15,352**
Tax losses	78,920	27,031	-	**105,951**
Other	4	32	-	**36**
	146,402	**27,510**	**(44,561)**	**129,351**
Net deferred tax liability	**(566,050)**	**10,684**	**(44,561)**	**(599,927)**

2021	Consolidated			
	Opening balance 1 July 2020 $'000	Charged to income $'000	Charged to equity $'000	Closing balance 30 June 2021 $'000
Gross deferred tax liabilities:				
Property, plant & equipment	(203,223)	18,218	-	**(185,005)**
Accrued revenue	(33,490)	(5,348)	-	**(38,838)**
Investment property	(362,053)	(122,382)	-	**(484,435)**
Other assets	(3,600)	600	-	**(3,000)**
Deferred borrowing costs	(1,817)	643	-	**(1,174)**
	(604,183)	**(108,269)**	**-**	**(712,452)**
Gross deferred tax assets:				
Provisions & accruals	6,180	260	-	**6,440**
Unearned income	2,511	(1,386)	-	**1,125**
Hedge reserve	67,577	-	(7,664)	**59,913**
Tax losses	-	78,920	-	**78,920**
Other	507	(503)	-	**4**
	76,775	**77,291**	**(7,664)**	**146,402**
Net deferred tax liability	**(527,408)**	**(30,978)**	**(7,664)**	**(566,050)**

8. Trade and other receivables

	2022 $'000	2021 $'000
Trade and other receivables	82,294	38,383
Less: Allowance for expected credit losses	(2,208)	(2,769)
Net trade and other receivables	**80,086**	**35,614**
GST receivables	-	1,350
Total trade and other receivables	**80,086**	**36,964**

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

Allowance for expected credit losses

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

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

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

	Carrying amount 2022 $'000	Carrying amount 2021 $'000	Allowance for expected credit losses 2022 $'000	Allowance for expected credit losses 2021 $'000
Not overdue	58,753	29,669	480	831
31-60 Days	16,038	2,317	147	455
61-90 Days	2,063	2,105	103	192
>90 Days	3,232	1,523	1,478	1,291
	80,086	**35,614**	**2,208**	**2,769**

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

	2022 $'000	2021 $'000
Opening balance	2,769	27,327
Receivables written off during the year as uncollectable	(218)	(15,055)
Unused amounts reversed	(343)	(9,503)
Closing balance	**2,208**	**2,769**

9. Accrued revenue

	2022 $'000	2021 $'000
Current:		
Straight line leases	8,479	10,348
Other accrued revenue	14,373	12,021
Accrued rebates	2,000	2,000
Total current	**24,852**	**24,369**
Non-current:		
Straight line leases	134,179	134,829
Accrued rebates	4,723	6,723
Total non-current	**138,902**	**141,552**

Accrued revenue represents amounts the Group is entitled to receive but has not invoiced at reporting date. When the customer is invoiced, the amount is reclassified to trade receivables. In FY21 the balance for other accrued revenue was presented net of an allowance for expected credit losses of $6.8 million. The allowance was released in FY22 due to improvement in the expected recovery of accrued revenue associated with International Security charges. The allowance release is presented in Note 4.

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

10. Other assets

	2022 $'000	2021 $'000
Current assets		
Prepayments	12,753	1,949
Bond	460	460
Other current assets	96	106
Total current	**13,309**	**2,515**
Non-current assets		
Other non-current assets	2,057	2,267
	15,366	**4,782**

11. Property, plant and equipment

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

2021	Leasehold land $'000	Buildings and services $'000	Roads, runways & infra-structure $'000	Plant and equipment $'000	Assets under construction $'000	Total $'000
Gross carrying amount						
Balance at 1 July 2020	**244,916**	**2,324,014**	**1,276,256**	**918,308**	**519,106**	**5,282,600**
Additions	-	-	-	-	200,786	**200,786**
Transfers to/(from) assets under construction	(116)	158,633	212,200	7,018	(377,735)	**-**
Transfer to software (Note 13)	-	-	-	(32,356)	-	**(32,356)**
Balance at 30 June 2021	**244,800**	**2,482,647**	**1,488,456**	**892,970**	**342,157**	**5,451,030**
Accumulated depreciation						
Balance at 1 July 2020	**(19,713)**	**(689,217)**	**(414,404)**	**(568,274)**	**-**	**(1,691,608)**
Depreciation expense	(2,589)	(146,995)	(48,943)	(74,768)	-	**(273,295)**
Transfer to software (Note 13)	-	-	-	21,741	-	**21,741**
Balance at 30 June 2021	**(22,302)**	**(836,212)**	**(463,347)**	**(621,301)**	**-**	**(1,943,162)**
Net book value at 30 June 2021	**222,498**	**1,646,435**	**1,025,109**	**271,669**	**342,157**	**3,507,868**

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

12. Investment properties

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

The profit for the year includes a gain on revaluation of investment properties of $119.3 million, driven by the completion of developments in the Melbourne Airport Business Park, movement of capitalisation rates in the industrial sector, rental growth and an increase in the value of developable land.

	2022 $'000	2021 $'000
Balance at beginning of the period	2,060,686	1,601,536
Additions for the period (at cost)	19,612	71,173
Net gain from fair value adjustments for the year	119,276	387,977
Balance at end of the period	**2,199,574**	**2,060,686**

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

Valuation of investment properties

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

The investment properties held by the Group are held on a leasehold basis (99 year lease, with 74 years remaining as at 30 June 2022). Taking this into consideration, each investment property has been valued by the external valuer as follows:

Valuation method	Description
Capitalisation of net income	The fully leased net income for each precinct has been discounted on a leasehold basis (present value of the net income for the remaining term) from the valuation date at an appropriate capitalisation rate which reflects the nature, location, land value content condition and tenancy profile of each property when compared with current market investment criteria. The valuation does not capitalise into perpetuity as the asset is not freehold. Various adjustments are then made to the calculated result, including estimated future incentives, capital expenditure, vacancy allowances and reversions to market rent.
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.

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

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

Key inputs and sensitivities

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

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

- Capitalisation rates ranging from 4.23% to 7.04%
- Discount rates ranging from 6% to 8%
- A terminal yields ranging from 4.48% to 7.29% and
- Market rental growth rates ranging from 2.49% to 3.25%

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

13. Intangible assets

2022	Goodwill $'000	Masterplan $'000	Software $'000	Total $'000
Net book value				
Balance at 1 July 2021	**671,866**	**2,394**	**10,615**	**684,875**
Disposal	-	(46)	-	**(46)**
Additions	-	-	450	**450**
Amortisation charge	-	(809)	(7,469)	**(8,278)**
Balance at 30 June 2022	**671,866**	**1,539**	**3,596**	**677,001**
Cost	671,866	4,186	32,806	**708,858**
Accumulated amortisation and impairment	-	(2,647)	(29,210)	**(31,857)**
Net book value at 30 June 2022	**671,866**	**1,539**	**3,596**	**677,001**

2021	Goodwill $'000	Masterplan $'000	Software $'000	Total $'000
Net book value				
Balance at 1 July 2020	**671,866**	**3,182**	**-**	**675,048**
Transfers from property, plant and equipment (Note 11)	-	-	19,272	**19,272**
Additions - internal development	-	25	701	**728**
Amortisation charge	-	(813)	(9,358)	**(10,171)**
Balance at 30 June 2021	**671,866**	**2,394**	**3,596**	**684,875**
Cost	671,866	4,228	32,356	**708,450**
Accumulated amortisation and impairment	-	(1,834)	(21,741)	**(23,575)**
Net book value at 30 June 2021	**671,866**	**2,394**	**10,615**	**684,875**

Critical accounting estimates and judgements - impairment of goodwill

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

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

The cash flows used in the discounted cash flow analysis were projected based on management's 20 year financial model. Cash flows are driven by aeronautical, retail and property revenues which are heavily dependent on passenger numbers and pricing which is determined based on known contracted terms and forecast inflation. Growth in passenger numbers over the forecast period is based on internal forecasting and information provided by an independent firm, which takes into account the effects of the Covid-19 pandemic on current and expected future passenger numbers.

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

Post-tax cash flows are discounted to their present value using a post-tax discount rate of 9.95%. The discount rate used reflects current market assessment of the time value of money and the risks specific to the cash generating unit.

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

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

Accounting policy for Master Plan intangible asset

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

Software

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

Software-as-a-Service (SaaS) arrangements

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

14. Payables

	2022 $'000	**2021 $'000**
Current liabilities		
Trade and other payables (i)	40,771	77,362
GST payable	1,211	-
Accrual for assets under construction	17,774	15,461
	59,756	**92,823**
Interest payable to:		
- Secured debt - bank (ii)	22,239	21,534
	81,995	**114,357**
Non-current liabilities		
Undistributed capital note liability (iii)	1,202	1,202
Other non-current liabilities	2,500	3,750
	3,702	**4,952**

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

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

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

15. Borrowings

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

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

	Face value			
	Drawn ($'000) 2021	**Undrawn ($'000) 2021**	**Drawn ($'000) 2020**	**Undrawn ($'000) 2020**
Drawn and undrawn				
Unsecured bank overdraft	-	21,627	-	20,668
Secured term bank debt	500,000	-	500,000	-
Secured bank facilities	280,800	1,724,200	606,100	1,398,900
	780,800	**1,745,827**	**1,106,100**	**1,419,568**
Secured capital markets debt	4,063,815	-	3,554,892	-
Total Borrowings	**4,844,615**	**1,745,827**	**4,660,992**	**1,419,568**

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

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

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

	Maturity	Currency	Principal Drawn		Carrying Amount (ii)	
Type			Original Currency $'000	Face Value (AUD) (i) $'000	2022 $'000	2021 $'000
Capital Markets Debt						
USPP	15-Sep-21	USD	-	-	-	266,699
AMTN	15-Sep-22	AUD	250,000	250,000	250,000	250,000
USPP ($A)	15-Nov-22	AUD	125,000	125,000	125,000	125,000
USPP	15-Sep-23	USD	200,000	191,077	290,681	266,699
EMTN (iii)	26-Sep-23	EUR	550,000	784,929	834,658	869,583
EMTN	15-Oct-24	EUR	350,000	505,050	531,146	553,371
AMTN	11-Nov-25	AUD	120,000	120,000	120,000	120,000
USPP	15-Sep-26	USD	200,000	191,077	290,681	266,699
AMTN	4-Nov-26	AUD	200,000	200,000	200,000	200,000
USPP ($A)	15-Jan-28	AUD	50,000	50,000	50,000	50,000
EMTN	27-Sep-30	NOK	1,500,000	242,994	219,540	232,459
AMTN	25-Nov31	AUD	700,000	700,000	700,000	-
USPP (iii)	4-Dec-31	USD	105,000	151,844	152,607	140,017
USPP	4-Dec-34	USD	105,000	151,844	152,607	140,017
USPP	4-Dec-39	AUD	150,000	150,000	150,000	150,000
USPP	4-Dec-44	AUD	250,000	250,000	250,000	250,000
Total Capital Market Debt				**4,063,815**	**4,316,920**	**3,880,544**
Bank Debt						
Syndicated Facility	30-Sep-24	AUD		140,000	140,000	400,000
Bilateral Facility (v)	15-Jan-24	AUD		100,000	100,000	100,000
Syndicated Facility (v)	31-Mar-24	AUD		-	-	60,000
Cash Advance Facility (v)	30-Jul-23	AUD		39,800	39,800	45,100
Bilateral Facility (v)	8-Apr-26	AUD		1,000	1,000	1,000
Term Bank Debt	16-Jun-26	AUD		200,000	200,000	200,000
Term Bank Debt	16-Jun-29	AUD		300,000	300,000	300,000
				780,800	**780,800**	**1,106,100**
Total Borrowings				**4,844,615**	**5,097,720**	**4,986,644**
Fair value adjustments			-	-	(14,927)	34,896
Deferred upfront borrowing costs			-	-	(23,345)	(26,852)
Total Net Borrowings				**4,844,615**	**5,059,448**	**4,994,688**

	2022 $'000	2021 $'000
Current borrowings	374,873	266,610
Non-current borrowings	4,684,575	4,728,078
Total New Borrowings	**5,059,448**	**4,994,688**

Notes:

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

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

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

(iii) Excludes fair value adjustments.

(iv) Cash Advance Facility refers to the bank facility for Australia Pacific Airports (Launceston) Pty Ltd.

(v) On 26 May 2022, APAM extended its $540 million Syndicated Facility tranche B maturity from 30 September 2022 to 31 March 2024. APAM also established an additional new 3 year bilateral facility maturing on 26 May 2025 with a limit of A$50m and extended A$100million bilateral facility that was due to mature on 15 July 2022 to 15 January 2024.

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

	Long term borrowings (i) 2022 $'000	Short-term borrowings (i) 2022 $'000	Derivative assets held to hedge long-term borrowings (Note 16) 2022 $'000	Long term borrowings 2021 $'000	Short-term borrowings 2021 $'000	Derivative assets held to hedge long-term borrowings (Note 16) 2021 $'000
Balance at 1 July	**4,719,945**	**266,699**	**(235,618)**	**4,784,895**	**-**	**(294,877)**
Proceeds from borrowings	1,211,500	-	-	624,000	-	-
Repayments from borrowings	(836,800)	(191,077)	-	(294,000)	-	-
Cash outlay for hedging restructure	-	-	(65,853)	-	-	(94,883)
	374,700	**(191,077)**	**(65,853)**	**330,000**	**-**	**(94,883)**
Non-cash movements						
Reclassification	(375,000)	375,000	-	(289,729)	289,729	-
Foreign exchange movement	3,075	(75,622)	-	(105,221)	(23,030)	-
Fair value changes	-	-	34,621	-	-	154,142
	(371,925)	**299,378**	**34,621**	**(394,950)**	**266,699**	**154,142**
Total	**4,722,720**	**375,000**	**(266,850)**	**4,719,945**	**266,699**	**(235,618)**

Note:

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

16. Derivative financial instruments

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

Over the past 2 years, the Company has restructured certain elements of its derivative portfolio, aimed at reducing interest payments in the short term. The restructures reset out of the money fixed rate cross currency and interest rate swaps to current market interest rates, retaining the historic credit margin. This involved making upfront payments totalling $94.8m million to reduce the contracted fixed interest rates to lower current market rates. The current financial year involved a further two interest rate restructure transactions with upfront payments totalling $65.9 million to further reduce contracted fixed interest rates to lower current market rates. Termination payments were funded by drawing on existing bank lines.

The restructures were completed over four tranches, the effects of which were as follows:

- Tranche 1 & 2 completed in December 2020 and February 2021, resulting in a reduction of interest of $94 million from December 2020 to March 2022.
- Tranche 3 completed in August 2021, resulting in a reduction of interest of $22 million to June 2022.
- Tranche 4 completed in February 2022 which is expected to deliver $39 million over 8 months to October 2022.

Overall, the Company's interest minimisation strategy reduced interest by $107 million in FY 2022 (FY 2021: $36 million)

The restructures triggered a discontinuation of existing hedge relationships resulting in hedge accounting impacts to profit and loss which are further detailed in Note 17(d) under interest rate risk management.

The net derivative position (before application of hedge accounting) at reporting date is presented below:

	Current 2022 $'000	Non-current 2022 $'000	Total 2022 $'000	Current 2021 $'000	Non-current 2021 $'000	Total 2021 $'000
Assets						
Cross currency swaps	-	274,164	**274,164**	76,588	300,707	**377,295**
Interest rate swaps	-	33,044	**33,044**	116	-	**116**
	-	**307,208**	**307,208**	**76,704**	**300,707**	**377,411**
Liabilities						
Cross currency swaps	-	(38,459)	**(38,459)**	-	(46,362)	**(46,362)**
Interest rate swaps	-	(1,900)	**(1,900)**	(6,948)	(88,483)	**(95,431)**
	-	**(40,359)**	**(40,359)**	**(6,948)**	**(134,845)**	**(141,793)**
Net derivative position assets/(liabilities)	**-**	**266,849**	**266,849**	**69,756**	**165,862**	**235,618**

Accounting policy for derivative financial instruments

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

17. Financial risk management

(a) Capital risk management

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

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

The Group is required to comply with certain financial covenants for its bank debt and various long-term capital markets debt which are tested periodically.

In October 2021, Cashflow Cover Ratio (CCR) compliance waivers were obtained in respect of:
- The Common Terms Deed ($A2.4 billion) for the 6-month testing period ended 31 December 2021
- Outstanding USPP notes ($A1.45 billion equivalent) for the 6-month testing period ended 31 December 2021

The Group is obligated to provide a complying compliance certificate for the testing period ended 30 June 2022 and testing periods subsequent to this. Refer to Note 1 – Going Concern, for disclosures in relation to compliance with the CCR covenant for 30 June 2022 and expected compliance subsequent to this.

As at 30 June 2022, the Group had $1,778 million of available liquidity in the form of bank facilities and cash and cash equivalents which is sufficient to cover the Group's funding needs for at least the next 12 months.

During the year the Group issued $700 million 10-year AMTN and extended bank facilities, $540 million Syndicated Facility to 31 March 2024, $100 million bilateral to 15 Jan 2024 and established a new 3 year $50 million bilateral maturing 26 May 2025 ahead of the $250 million AMTN in September 2022 and $125 million USPP in November 2022 maturities.

Management has commenced debt raising activities with the aim of pre-funding bonds maturing in September 2023 for an amount of $976 million.

(b) Categories of financial instruments

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

2021	At amortised cost $'000	Derivatives designated as fair value hedge $'000	Derivatives designated as cash flow hedge $'000	Total $'000
Financial Assets				
Current financial assets				
Cash and cash equivalents	32,186	-	-	**32,186**
Trade and other receivables	36,964	-	-	**36,964**
Current cross currency interest rate swaps	-	-	76,588	**76,588**
Current interest rate swaps	-	-	116	**116**
Non-current financial assets	-	-	-	**-**
Non-current cross currency interest rate swaps	**-**	36,155	264,552	**300,707**
	69,150	**36,155**	**341,256**	**446,561**
Financial liabilities				
Current financial liabilities				
Trade and other payables	92,823	-	-	**92,823**
Interest payable	21,534	-	-	**21,534**
Lease liabilities	1,287	-	-	**1,287**
Current borrowings	266,610	-	-	**266,610**
Current interest rate swaps	-	-	6,948	**6,948**
Non-current financial liabilities	-	-	-	**-**
Non-current borrowings	4,693,182	34,896	-	**4,728,078**
Non-current interest rate swaps	-	-	88,483	**88,483**
Non-current cross currency interest rate swaps	-	470	45,892	**46,362**
Non-current payables	4,952	-	-	**4,952**
Non-current lease liabilities	3,776	-	-	**3,776**
	5,084,164	**35,366**	**141,323**	**5,260,853**

(c) Financial risk management objectives

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

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

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

(d) Interest rate risk management

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

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

Over the past 2 years, the Group executed interest rate restructure transactions (Note 16). This involved making upfront payments totalling $94.8m million to reduce the contracted fixed interest rates to lower current market rates.

The current financial year involved a further two interest rate restructure transactions with upfront payments totalling $65.9 million to further reduce contracted fixed interest rates to lower current market rates.

The restructure undertaken in the prior year delivered a reduction in interest payments of $94 million over a 15 month period from December 2020, with termination payments funded by drawing on existing bank lines.

Associated interest expense reductions have been recognised during the year ended 30 June 2022 with the remainder to be incorporated in the results of future reporting periods.

The restructures triggered a discontinuation of existing hedge relationships resulting in a hedge accounting impact to profit and loss ($6.3 million pre-tax loss), for the year ended 30 June 2022.

Due to the discontinuation of hedge accounting for certain hedge relationships affected by the restructures an amount of $8.8 million (pre-tax) has been crystalised in the cash flow hedge reserve at the date of restructure, which will be amortised to profit and loss over the remaining life of the underlying hedged items which remain in existence. This amortisation will be offset by the unwind of the non-zero fair values of derivatives re-designated in hedge relationships ($32.1 million pre-tax) over the same period and the continued unwind of the August 2021 restructure of $26.1 million. The impact on the Hedge Reserve is set out in Note 21.

(e) Interest rate sensitivity

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

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

- Net profit would increase/ decrease by $1,449,000 (2021: increase/ decrease $3,864,000) as a result of the Group's exposure to variable interest rates on certain borrowings.
- Other equity reserves would increase/ decrease by $37,679,000 (2021: increase/ decrease $67,803,000) mainly as a result of changes in fair value through other comprehensive income for fixed rate derivative instruments.

(f) Cross currency sensitivity

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

(g) Interest rate derivative contracts

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

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

	Average contracted fixed interest rate		Notional principal amount		Fair value of interest rate derivatives	
	2022 %	2021 %	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Less than 1 year	-	3.5%	-	59,000	-	(6,832)
1 to 2 years	3.4%	-	729,000	-	3,386	-
2 to 5 years	2.1%	3.1%	346,000	729,000	14,677	(33,833)
5 years +	2.6%	2.6%	313,000	600,000	13,081	(54,650)
			1,388,000	**1,388,000**	**31,144**	**(95,315)**

The fair value of these contracts as at 30 June 2022 is disclosed in Note 16.

(h) Foreign currency risk management

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

(i) Foreign currency exchange contracts

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

	Average Contracted Fixed Interest Rate %	Average Exchange Rate	Notional Principal Amount		Fair Value of Cross Currency Interest Rate Derivatives	
			1 to 5 years $'000	> 5 years $'000	1 to 5 years $'000	> 5 years $'000
Consolidated 2022						
USD (610m)	6.10%	0.8894	382,153	303,688	184,780	(3,128)
EUR (900m)	4.40%	0.6977	1,289,974	-	76,151	-
NOK (1,500m)	4.20%	6.1730	-	242,994	-	(22,097)
			1,672,127	**546,682**	**260,931**	**(25,225)**
Consolidated 2021						
USD (810m)	4.60%	0.9414	382,153	494,764	153,757	60,758
EUR (900m)	4.00%	0.6977	1,289,974	-	153,119	-
NOK (1,500m)	4.20%	6.1730	-	242,994	-	(36,701)
			1,672,127	**737,758**	**306,876**	**24,057**

(j) Liquidity risk

The following table details the Group's exposure to liquidity risk as at 30 June 2022. All domestic bonds, US private placements and European bonds listed are fixed rate notes unless otherwise stated.

2022	Weighted average effective interest rate (i)	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial assets						
Cash and cash equivalents		53,445	-	-	-	**53,445**
Trade and other receivables		80,086	-	-	-	**80,086**
Interest rate swaps		1,071	(5,857)	(28,452)	(3,152)	**(36,390)**
Cross currency interest rate swaps	(ii)					
- Outflow		11,433	63,195	1,807,755	189,353	**2,071,736**
- Inflow		(39,585)	(27,852)	(2,066,722)	(189,691)	**(2,323,850)**
		106,450	**29,486**	**(287,419)**	**(3,490)**	**(154,973)**

2022	Weighted average effective interest rate (i)	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial liabilities						
Trade and other payables		58,545	-	-	-	**58,545**
Interest payable		22,239	-	-	-	**22,239**
Lease liability		322	966	5,150	6,437	**12,875**
Non-current payables		-	-	3,702	-	**3,702**
		81,106	**966**	**8,852**	**6,437**	**97,361**
Borrowings:						
Term bank debt	3.18%	5,371	24,549	447,059	335,097	**812,076**
Bank facilities	2.77%	269	2,949	104,669	-	**107,887**
AMTN	3.80%	262,427	29,395	465,425	818,715	**1,575,962**
USPP	4.14%	15,046	168,629	748,261	1,055,712	**1,987,648**
EMTN	4.72%	31,938	9,347	1,434,152	243,234	**1,718,671**
		315,051	**234,869**	**3,199,566**	**2,452,758**	**6,202,244**
Cross currency interest rate swaps	(ii)					
- Outflow		6,152	10,814	74,217	470,597	**561,780**
- Inflow		(5,928)	(4,779)	(42,881)	(417,405)	**(470,993)**
Interest rate swaps	(ii)	**606**	**(2,764)**	**5,988**	**-**	**3,830**
		830	**3,271**	**37,324**	**53,192**	**94,617**
		396,987	**239,106**	**3,245,742**	**2,512,387**	**6,394,222**

Notes:

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

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

As at 30 June 2022, the Group has available liquidity of $1,778 million comprising undrawn facilities of $1,725 million and cash of $53 million, which provides sufficient liquidity to cover all financial liabilities due in the next 12 months.

2021	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	(i)	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents		32,186	-	-	-	**32,186**
Trade and other receivables		36,964	-	-	-	**36,964**
Cross currency interest rate swaps	(ii)					
- Outflow		202,135	25,211	1,641,436	205,661	**2,074,443**
- Inflow		(313,213)	(22,139)	(1,842,182)	(273,024)	**(2,450,558)**
		(41,928)	**3,072**	**(200,746)**	**(67,363)**	**(306,965)**

	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	(i)	$'000	$'000	$'000	$'000	$'000
Financial liabilities						
Trade and other payables		92,823	-	-	-	**92,823**
Interest payable		21,534	-	-	-	**21,534**
Lease liability		322	966	5,150	7,725	**14,163**
Non-current payables	(ii)	-	-	4,952	-	**4,952**
		114,679	**966**	**10,102**	**7,725**	**133,472**
Borrowings:						
Term bank debt	2.66%	1,811	5,667	249,619	333,312	**590,409**
Bank facilities	2.15%	1,424	4,556	622,277	-	**628,257**
AMTN	4.01%	5,041	17,919	454,236	203,781	**680,977**
USPP	4.25%	286,602	45,590	572,995	1,325,864	**2,231,051**
EMTN	4.81%	33,358	9,684	1,531,420	263,807	**1,838,269**
		328,236	**83,416**	**3,430,547**	**2,126,764**	**5,968,963**
Cross currency interest rate swaps	(ii)					
- Outflow		5,683	11,964	76,452	666,988	**761,087**
- Inflow		(6,259)	(8,983)	(60,823)	(606,582)	**(682,647)**
Interest rate swaps	(ii)	1,664	3,796	84,705	8,628	**98,793**
		1,088	**6,777**	**100,334**	**69,034**	**177,233**
		444,003	**91,159**	**3,540,983**	**2,203,523**	**6,279,668**

Notes:

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

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

(k) Credit risk management

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

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

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

For trade receivables, the Group adopts a policy of dealing with customers with appropriate credit quality and obtaining collateral support where appropriate for risk mitigation. With ongoing Covid-19 impacts, the Group continues to monitor its trade receivables ageing and engages in follow up activity, which may include enforcement where receivables are overdue. A write off is recognised when there is no reasonable expectation of recovery. Refer to Note 8 for details on Expected Credit Losses.

(l) Fair value

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

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

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

	Fair Value of Financial Instruments			
	Carrying Amount 2022	Carrying Amount 2021	Fair Value 2022	Fair Value 2021
Consolidated				
Bank Facilities	(780,800)	(1,106,100)	(788,364)	(1,105,948)
AMTN	(1,270,000)	(570,000)	(1,176,306)	(607,639)
USPP A$	(575,000)	(575,000)	(428,472)	(598,551)
USPP	(872,583)	(1,087,512)	(877,037)	(1,130,987)
EMTN - EUR	(1,364,870)	(1,450,469)	(1,362,163)	(1,447,513)
EMTN - NOK	(219,540)	(232,459)	(217,362)	(223,297)
Deferred upfront borrowing costs	23,345	26,852	-	-
	(5,059,448)	**(4,994,688)**	**(4,849,704)**	**(5,113,935)**

(m) Liquidity risk management

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

(n) Hedge accounting

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

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

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

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

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

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

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

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

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

(p) Fair value hedges

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

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

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

The cumulative amount of fair value hedge adjustments which are included in the carrying amount of our borrowings in the Statement of Financial Position is shown below. This relates to the issue of cross currency swaps over the European bonds (26 September 2023) and USPP 2031 as they are the only instruments with a fair value hedge.

	2022 $'000	2021 $'000
Fixed rate instruments		
Face value	936,773	936,773
Foreign exchange adjustments	50,492	72,827
Cumulative fair value hedge adjustments	(14,927)	34,896
Carrying amount	**972,338**	**1,044,496**

(q) Cash flow hedges

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

Note 17(a) - Hedge Accounting Table - 2022

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

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

Note 17(a) - Hedge Accounting Table - 2022

Hedge Accounting Relationship	Fair Value Hedge		Cash Flow Hedge				
Hedging Instrument	USD - CCIRS	EUR - CCIRS	USD - CCIRS	EUR - CCIRS	NOK - CCIRS	AUD - IRS	
Hedged Item	USD Fixed Debt	EUR Fixed Debt	USD Fixed Debt	EUR Fixed Debt	NOK Fixed Debt	AUD Floating Debt	
Notional Amount	USD 810,000	EUR 900,000	USD 810,000	EUR 900,000	NOK 1,500,000	AUD 1,388,000	
Hedge Ratio	1:1	1:1	1:1	1:1	1:1	1:1	Total
Denomination	A$'000's	A$'000's	A$'000's	A$'000's	A$'000's	A$'000's	A$'000's
At 30-June-2021							
Carrying amount of hedging instruments							
Assets - Current	-	-	76,588	-	-	-	**76,588**
Assets - Non-current	7,546	28,612	147,598	125,459	-	116	**309,331**
Liabilities - Current	-	-	-	-	-	-	-
Liabilities - Non-current	-	(471)	(17,207)	(491)	(36,700)	(95,432)	**(150,300)**
Total	**7,546**	**28,141**	**206,979**	**124,968**	**(36,700)**	**(95,316)**	**235,618**
Cumulative fair value adjustment on hedged item*	(7,382)	(27,514)	-	-	-	-	**(34,896)**
Carrying amount of the hedged item recognised in the statement of financial position	(146,298)	(894,006)	-	-	-	-	**(1,040,303)**
Balance in cash flow hedge reserve for continuing hedges	-	-	(3,526)	10,913	26,166	8,017	**41,570**
Balance in cash flow hedge reserve from discontinued hedges	-	-	24,277	19,659	-	114,131	**158,067**
During the Year							
Change in fair value of hedging instrument							
used for calculating hedge effectiveness	*(16,472)*	*(13,761)*	*(302,560)*	*(89,878)*	*4,628*	*78,820*	**(339,224)**
due to cash payment on restructure of hedges	-	-	*28,420*	*46,286*	-	*20,177*	**94,883**
Change in fair value of hedged item							
used for calculating hedge effectiveness	*14,610*	*15,063*	*269,255*	*37,611*	*(1,858)*	*(121,073)*	**213,608**
Change in cash flow hedge reserve							
for continuing hedge relationships	-	-	*(5,811)*	*(79,154)*	*2,045*	*(100,895)*	**(183,815)**
for discontinued hedge relationships	-	-	*24,277*	*19,659*	-	*114,131*	**158,067**
Change in profit or loss							
Ineffectiveness recognised in profit and loss	*1,862*	*(1,301)*	*(277)*	*139*	-	*1,205*	**1,628**
Unwind of inception fair value	-	-	*2,412*	*2,846*	-	*(13,779)*	**(8,521)**
Reclassified from CFHR to profit and loss on continued hedge relationships	-	-	*(93,273)*	*(41,651)*	*6,673*	-	**(128,252)**
Reclassified from CFHR to profit and loss on discontinued hedge relationships	-	-	*3,872*	*11,667*	-	*8,216*	**23,756**
Restructure impacts on profit and loss	-	-	*(2,105)*	*9,078*	-	*1,589*	**8,562**

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

18. Lease liabilities

	2022 $'000	2021 $'000
Lease liabilities		
Current	1,287	1,287
Non-current	3,127	3,776
	4,414	**5,063**

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

19. Lease arrangements - Lessor

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

	2022 $'000	2021 $'000
Within one year	107,278	105,632
Later than one year but not later than 5 years	450,992	414,252
Later than 5 years	1,103,459	1,101,409
	1,661,729	**1,621,293**

20. Issued capital

	2022 $'000	2021 $'000
118,100,000 Ordinary Shares - fully paid (30 June 2021: 118,100,000)	118,100	118,100

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

21. Hedging reserves

	2022 $'000	2021 $'000
Consolidated		
Opening balance	139,795	157,677
(Gain) / loss recognised on derivative financial instruments (unrealised)	(177,493)	136,652
(Gain) / loss recognised on derivative financial instruments (realised)	28,155	25,029
(Gain) / loss on foreign exchange remeasurement transferred to profit and loss	72,546	(128,252)
(Gain) / loss on hedge ineffectiveness transferred to profit and loss	(6,910)	(1,628)
(Gain) / loss on unwind of discontinued hedge relationships transferred to profit and loss	(43,056)	(23,756)
(Gain) / loss on restructure impacts transferred to profit and loss	6,307	(8,562)
(Gain) / loss on cash flow hedges transferred to profit and loss	(28,155)	(25,029)
Income tax related to amounts above	44,582	7,664
Closing balance	**35,771**	**139,795**

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

22. Capital expenditure commitments

	2022 $'000	2021 $'000
Capital expenditure commitments		
Not longer than 1 year	182,278	145,829
Longer than 1 year but no longer than 5 years	140,477	140,887
Total Property, plant and equipment commitments	**322,755**	**286,716**

23. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2022 %	 2021 %
Parent entity			
Australia Pacific Airports Corporation Limited	Australia	-	-
Subsidiaries			
APAC (Holdings No.2) Pty. Limited	Australia	100%	100%
Australia Pacific Airports (Melbourne) Pty. Limited	Australia	100%	100%
Australia Pacific Airports (Property) Pty. Limited (i) (ii)	Australia	100%	100%
APAC (Holdings) Pty. Limited (i)	Australia	100%	100%
Australia Pacific Airports (Launceston) Pty. Limited	Australia	100%	100%

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

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

24. Related party transactions

(a) Equity interests in related parties

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

(b) Key management personnel compensation

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

	2022 $	2021 $
Current		
Short-term employee benefits	4,560,777	3,671,842
Long-term incentives	438,836	571,660
Resignations	-	405,032
	4,999,613	**4,648,534**
Existing		
Short-term employee benefits	2,876,982	1,052,030
Long-term incentives	495,985	686,978
Resignations	631,500	-
	4,004,467	**1,739,008**
	9,004,080	**6,387,542**

Lyell Strambi retired from his role as Chief Executive Officer, effective 30 June 2022. Remuneration paid to Mr. Strambi has been presented as part of the exiting remuneration to enhance the comparability of the aggregate remuneration paid to other key management personnel within the group in the current and prior year.

(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 7) tax payments have been received or accrued to reflect the wholly owned Controlled Entity's share of the tax expense of the tax consolidated group.

(d) Transactions with Shareholders

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

During FY22, IFM Investors Pty Ltd provided resourcing for the Melbourne Airport Rail project. At 30 June 2022, an amount of $239,900 was accrued to reflect the services provided during the year.

25. Notes to the Statement of Cash Flows

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

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

	2022 $'000	2021 $'000
Profit/(loss) after income tax (expense)/benefit for the year	(20,453)	63,555
Adjustments for:		
Impairment of property, plant and equipment	1,487	-
Amortisation of deferred borrowing costs	7,244	6,784
Hedge reserve unwind	60,116	21,372
Depreciation and amortisation of non-current assets	265,623	274,482
Gain on sale of non-current assets	(106)	-
Gain on investment property	(119,276)	(387,977)
Movement in income tax expenses	-	40,912
Movement in deferred taxes	(10,705)	30,978
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(41,911)	885
(Increase)/decrease in other current assets	(1,411)	(716)
(Increase)/decrease in other non-current assets	2,210	613
(Increase)/decrease in accrued revenue	167	(40,380)
Increase/(decrease) in trade payables	(26,108)	19,101
Increase/(decrease) in interest payables	705	(17,007)
Increase/(decrease) in employee provisions	7,466	2,781
Increase/(decrease) in unearned income	16,072	(2,360)
Net cash from operating activities	**141,120**	**13,023**

26. Remuneration of auditors

	2022 $	2021 $
Audit or review of the Group financial report and subsidiary financial reports	421,000	318,050
Other assurance services and agreed-upon procedures under other legislation or contractual arrangements	129,000	82,950
	550,000	**401,000**

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

27. Dividends

	2022 $'000	2021 $'000
Franking account	7,343	7,343

28. Company disclosures

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

	2022 $'000	2021 $'000
(a) Financial position:		
Assets:		
Current assets	19,289	19,289
Non-current assets	128,032	128,032
Total assets	**147,321**	**147,321**
Liabilities:		
Current liabilities	(14)	(14)
Non-current liabilities	-	-
Total liabilities	**(14)**	**(14)**
Net assets	**147,307**	**147,307**
Equity:		
Issued capital	118,100	118,100
Retained earnings	29,207	29,207
Total equity	**147,307**	**147,307**
(b) Financial performance		
Other comprehensive income	-	-
Total other comprehensive income	**-**	**-**

29. Contingent liabilities

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

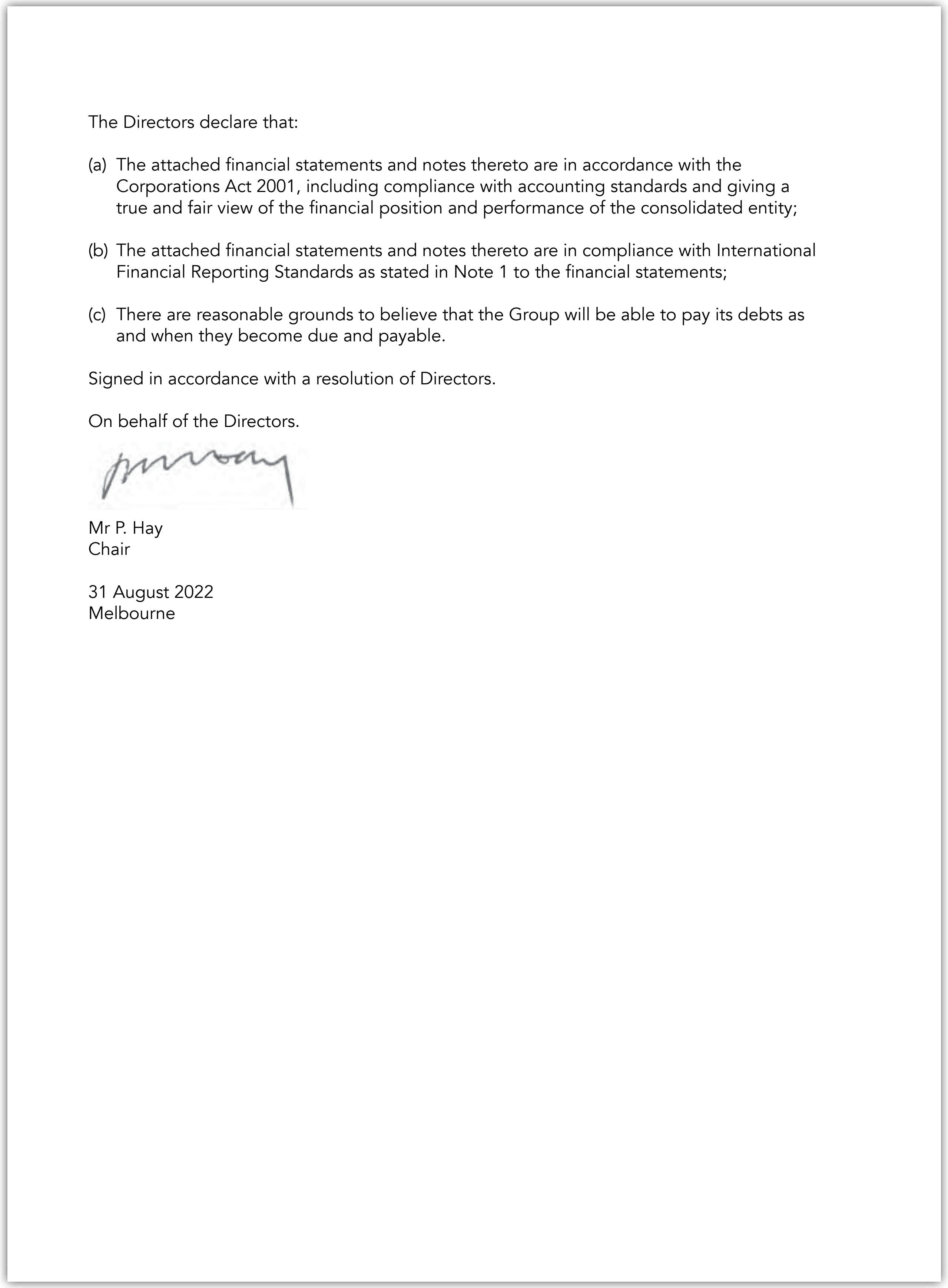
30. Events after the reporting period

On 29 June 2022, the Board approved the Group's funding and interest rate management strategy. The interest rate management strategy aims to increase the level of interest cost certainty given the rising interest rates environment. The Group executed $400m of interest rate hedging in early July 2022, which gives the Group protection against rising interest rates within a protected range for 4 years from September 2023.

The Group executed a $380m term loan with existing Asian term loan investors ($139m at 5 year tenure, $241m at 7 year tenure), with financial close on 19 August 2022.

Other than stated, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration



The Directors declare that:

(a) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

(b) The attached financial statements and notes thereto are in compliance with International Financial Reporting Standards as stated in Note 1 to the financial statements;

(c) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

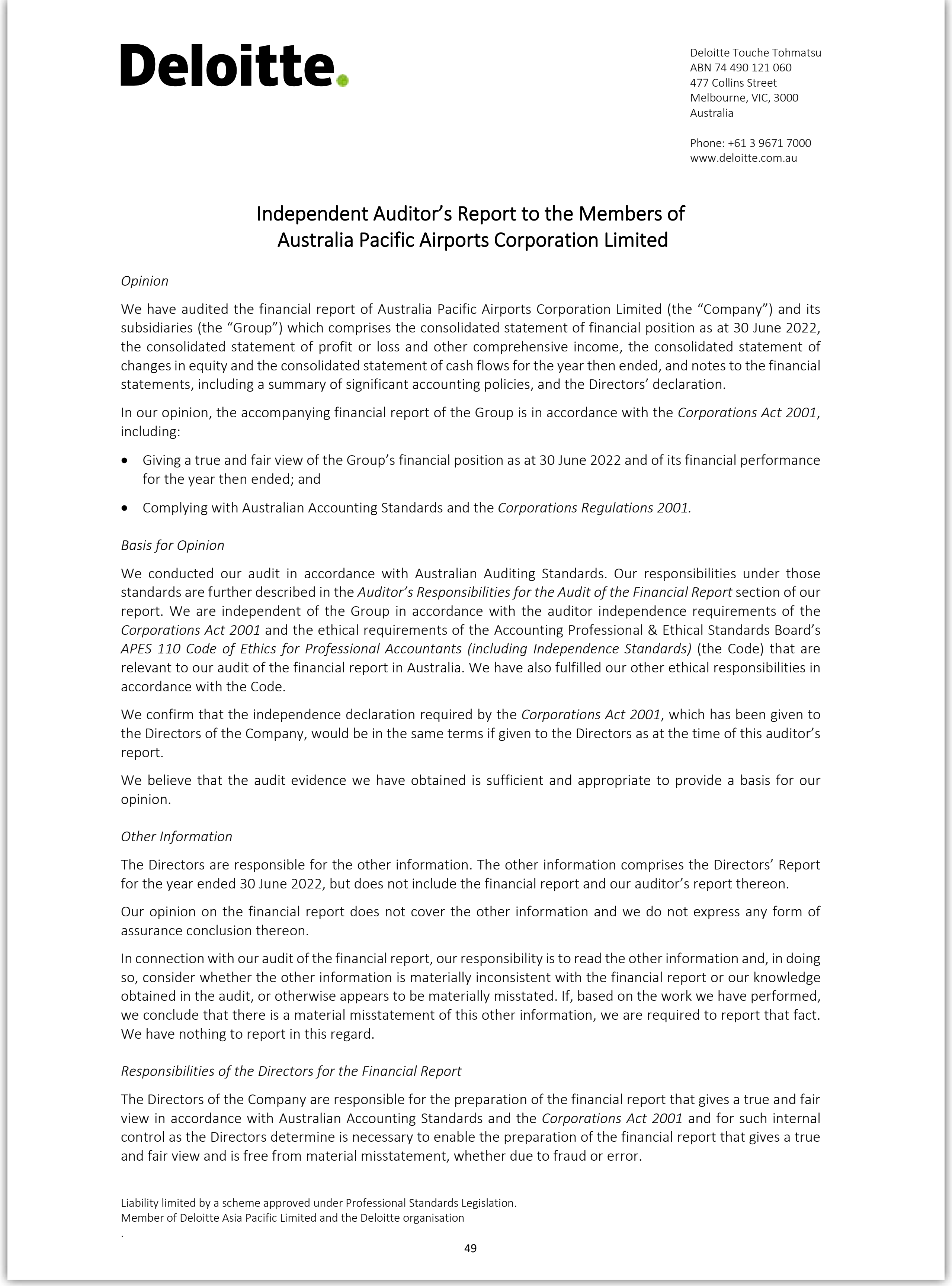
Signed in accordance with a resolution of Directors.

On behalf of the Directors.

Mr P. Hay
Chair

31 August 2022
Melbourne

Independent auditor's report to the members of Australia Pacific Airports Corporation Limited



Deloitte.

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Australia

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

Opinion

We have audited the financial report of Australia Pacific Airports Corporation Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

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

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

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

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

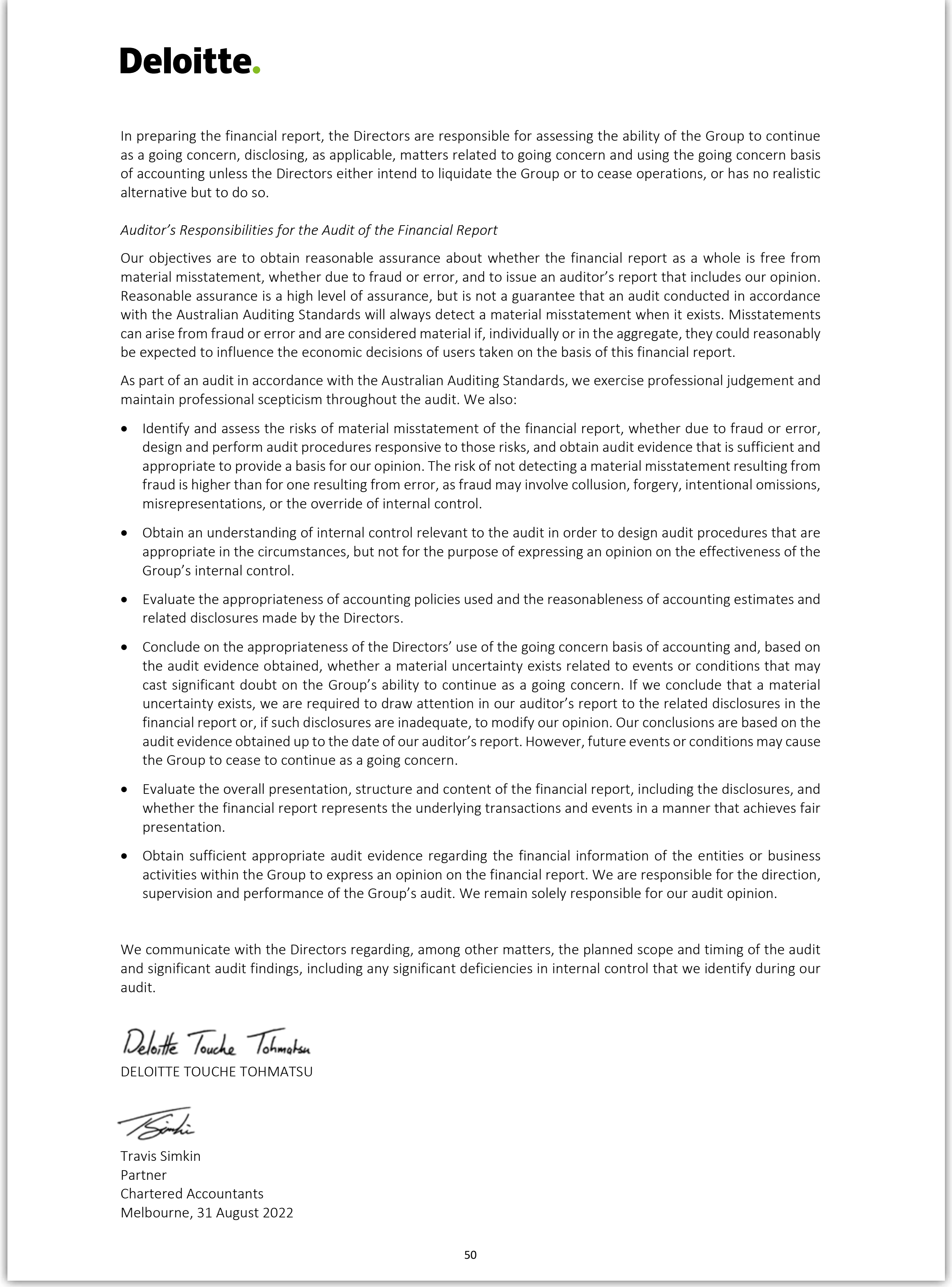
Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

Independent auditor's report to the member of Australia Pacific Airports Corporation Limited



Deloitte.

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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

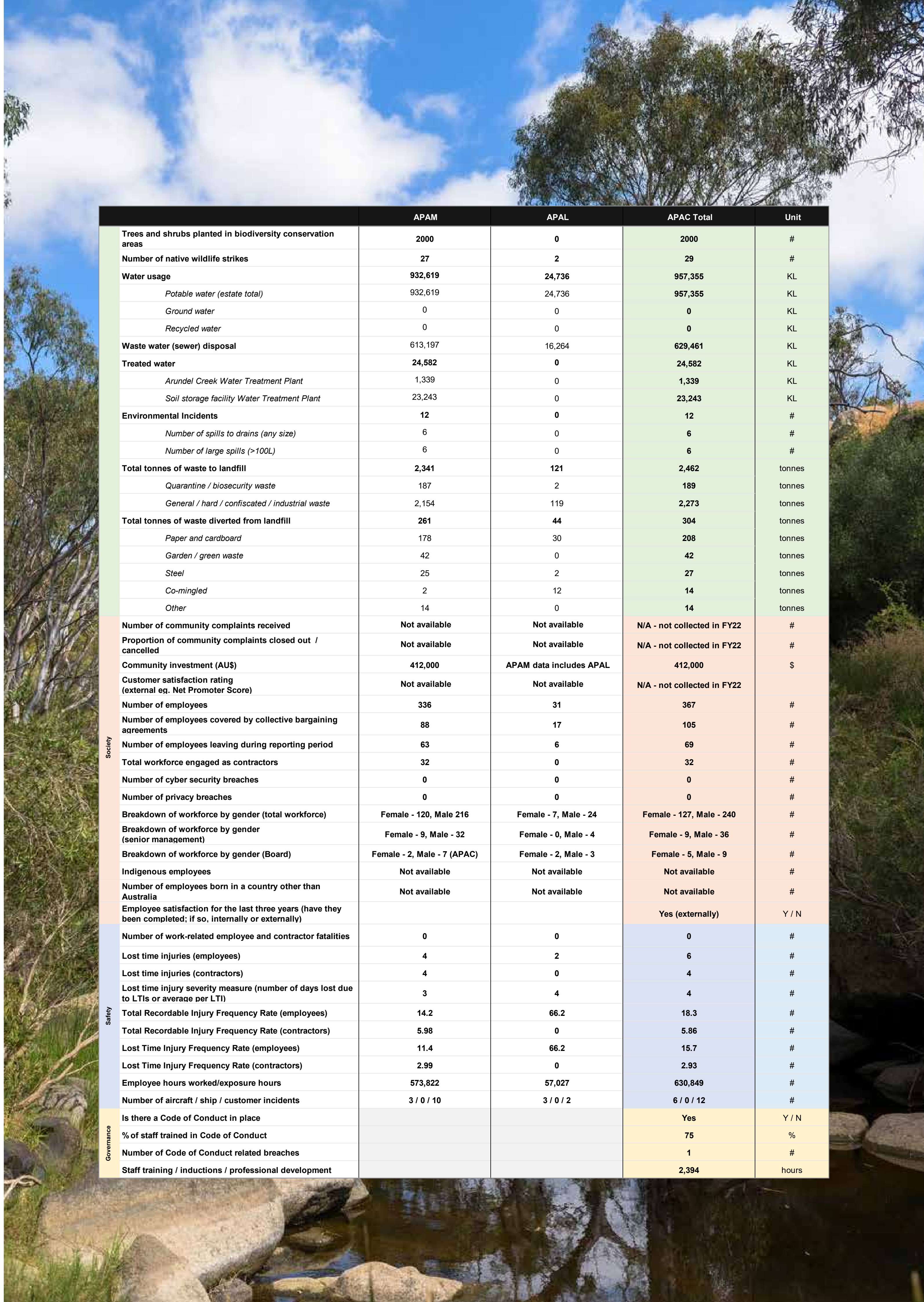
Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Travis Simkin
Partner
Chartered Accountants
Melbourne, 31 August 2022

FY22 APAC Environmental, Social & Governance Report

		APAM	APAL	APAC Total	Unit
Environment	**Scope 1 GHG emissions in metric tonnes CO2 equivalent**	11,404	155	11,559	tCO2-e
	Natural Gas (trigen and boilers)	10,872	0	10,872	tCO2-e
	Stationary Fuels (LPG, diesel, petrol)	47	99	146	tCO2-e
	Transport Fuels (LPG, diesel, petrol)	462	56	518	tCO2-e
	Other	23	0	23	tCO2-e
	Scope 2 GHG emissions in metric tonnes CO2 equivalent	40,234	272	40,506	tCO2-e
	Electricity	40,234	272	40,506	tCO2-e
	Scope 3 GHG emissions in metric tonnes CO2 equivalent	1,782,224	43,324	1,825,548	tCO2-e
	Aircraft flight (one way - includes landing and take off)	1,450,143	28,818	1,478,961	tCO2-e
	Landing and take off	121,074	6,565	127,639	tCO2-e
	Auxiliary Power Unit	18,298	869	19,167	tCO2-e
	Ground Support Equipment	2,778	212	2,990	tCO2-e
	Engine run-ups / Ground running	1,299	69	1,368	tCO2-e
	Ground transport (passengers)	48,058	6,175	54,233	tCO2-e
	Tenant energy	74,428	159	74,587	tCO2-e
	Water, waste water, energy transmission and waste	11,023	202	11,225	tCO2-e
	Construction	81,050	3,176	84,226	tCO2-e
	Business partners / consultants	71,397	2,330	73,727	tCO2-e
	Business travel	231	23	254	tCO2-e
	Employee commute (APAC employees)	652	60	712	tCO2-e
	Employee commute (non-APAC employees)	22,867	1,232	24,099	
	Total energy sources used to calculate Scope 1 emissions (energy source breakdown)	Gas (97%), transport fuels (3%), stationary fuels (03%), HFC emissions (<0.1%)	LPG (67%; Diesel (33%)	N/A	N/A
	Total energy sources used to calculate Scope 2 emissions (energy source breakdown)	Electricity from the grid (100%)	Electricity from the grid (100%)	N/A	N/A
	Energy: Approach to sustainable design or construction principles for large capital works	APAM has a 'Sustainability In Design' review process for all capital projects. Large capital projects have their own sustainability targets and initiatives embedded throughout the design and construction process.	All new developments and refurbishments of Launceston Airport will utilise the APAM 'Sustainability In Design' review process.	NA	N/A
	Total energy input to site (as GJ)	362,526	8,352	377,714	GJ
	Total energy input to site (as kWh)	102,550,509	2,370,019	104,920,528	kWh
	Total energy input to site (inc onsite renewables) (as kWh)	111,732,475	2,370,019	114,102,494	kWh
	Natural Gas (trigen and boilers)	210,978	0	210,978	GJ
	Stationary Fuels (LPG, diesel, petrol)	672	1,625	2,297	GJ
	Transport Fuels (LPG, diesel, petrol)	6,655	790	7,445	GJ
	Electricity (grid)	41,910,054	1,699,361	43,609,414	kWh
	Electricity (onsite renewable sources)	9,181,966	0	9,181,966	kWh
	Electricity (onsite non-renewable sources)	3,932,537	0	3,932,537	kWh
	Total energy generation	23,013,086	0	23,013,086	kWh
	Electricity (onsite renewable sources)	19,080,549	0	19,080,549	kWh
	Electricity (onsite non-renewable sources)	3,932,537	0	3,932,537	kWh
	Renewable energy purchased off site (PPA)	0	0	0	kWh
	Significant air emissions	94,986	not recorded for APAL	94,986	kg
	Carbon Monoxide (CO)	16,008	not recorded for APAL	16,008	kg
	Oxides of Nitrogen (NOx)	74,433	not recorded for APAL	74,433	kg
	Oxides of Sulphur (SOx)	115	not recorded for APAL	115	kg
	Volatile Organic Compounds (VOC)	2,621	not recorded for APAL	2,621	kg
	Suspended Particulate Matter (PM10)	910	not recorded for APAL	910	kg
	Suspended Particulate Matter (PM2.5)	899	not recorded for APAL	899	kg
	Biodiversity conservation efforts	8	2	10	#
	Area managed for biodiversity conservation (on-site)	496	0	496	ha
	Area managed for biodiversity conservation (on-site)	18	0	18	%
	Area managed for biodiversity conservation (off-site)	95	0	95	ha
	Trees and shrubs planted in biodiversity conservation areas	2000	0	2000	#
	Number of native wildlife strikes	27	2	29	#
	Water usage	932,619	24,736	957,355	KL
	Potable water (estate total)	932,619	24,736	957,355	KL
	Ground water	0	0	0	KL
	Recycled water	0	0	0	KL
	Waste water (sewer) disposal	613,197	16,264	629,461	KL
	Treated water	24,582	0	24,582	KL
	Arundel Creek Water Treatment Plant	1,339	0	1,339	KL
	Soil storage facility Water Treatment Plant	23,243	0	23,243	KL
	Environmental Incidents	12	0	12	#
	Number of spills to drains (any size)	6	0	6	#
	Number of large spills (>100L)	6	0	6	#
	Total tonnes of waste to landfill	2,341	121	2,462	tonnes
	Quarantine / biosecurity waste	187	2	189	tonnes
	General / hard / confiscated / industrial waste	2,154	119	2,273	tonnes
	Total tonnes of waste diverted from landfill	261	44	304	tonnes
	Paper and cardboard	178	30	208	tonnes
	Garden / green waste	42	0	42	tonnes
	Steel	25	2	27	tonnes
	Co-mingled	2	12	14	tonnes
	Other	14	0	14	tonnes
Society	**Number of community complaints received**	Not available	Not available	N/A - not collected in FY22	#
	Proportion of community complaints closed out / cancelled	Not available	Not available	N/A - not collected in FY22	#
	Community investment (AU$)	412,000	APAM data includes APAL	412,000	$
	Customer satisfaction rating (external eg. Net Promoter Score)	Not available	Not available	N/A - not collected in FY22	
	Number of employees	336	31	367	#
	Number of employees covered by collective bargaining agreements	88	17	105	#
	Number of employees leaving during reporting period	63	6	69	#
	Total workforce engaged as contractors	32	0	32	#
	Number of cyber security breaches	0	0	0	#
	Number of privacy breaches	0	0	0	#
	Breakdown of workforce by gender (total workforce)	Female - 120, Male 216	Female - 7, Male - 24	Female - 127, Male - 240	#
	Breakdown of workforce by gender (senior management)	Female - 9, Male - 32	Female - 0, Male - 4	Female - 9, Male - 36	#
	Breakdown of workforce by gender (Board)	Female - 2, Male - 7 (APAC)	Female - 2, Male - 3	Female - 5, Male - 9	#
	Indigenous employees	Not available	Not available	Not available	#
	Number of employees born in a country other than Australia	Not available	Not available	Not available	#
	Employee satisfaction for the last three years (have they been completed; if so, internally or externally)			Yes (externally)	Y / N
Safety	**Number of work-related employee and contractor fatalities**	0	0	0	#
	Lost time injuries (employees)	4	2	6	#
	Lost time injuries (contractors)	4	0	4	#
	Lost time injury severity measure (number of days lost due to LTIs or average per LTI)	3	4	4	#
	Total Recordable Injury Frequency Rate (employees)	14.2	66.2	18.3	#
	Total Recordable Injury Frequency Rate (contractors)	5.98	0	5.86	#
	Lost Time Injury Frequency Rate (employees)	11.4	66.2	15.7	#
	Lost Time Injury Frequency Rate (contractors)	2.99	0	2.93	#
	Employee hours worked/exposure hours	573,822	57,027	630,849	#
	Number of aircraft / ship / customer incidents	3 / 0 / 10	3 / 0 / 2	6 / 0 / 12	#
Governance	**Is there a Code of Conduct in place**			Yes	Y / N
	% of staff trained in Code of Conduct			75	%
	Number of Code of Conduct related breaches			1	#
	Staff training / inductions / professional development			2,394	hours



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