APAC ANNUAL REPORT 2015/16

Australia Pacific Airports

Australia Pacific Airports Corporation Limited (APAC) operates two key Australian aviation assets, Melbourne Airport and Launceston Airport. APAC acquired the lease for Melbourne Airport in July 1997. The Launceston Airport lease was acquired in partnership with Launceston City Council in May 1998.

Each airport is operated under a 50 year long-term lease from the Federal Government, with an option for a further 49 years. APAC has demonstrated consistent growth since its inception in 1997. Strong management and diverse revenue streams continue to enable APAC to capitalise on opportunities to deliver aviation excellence.

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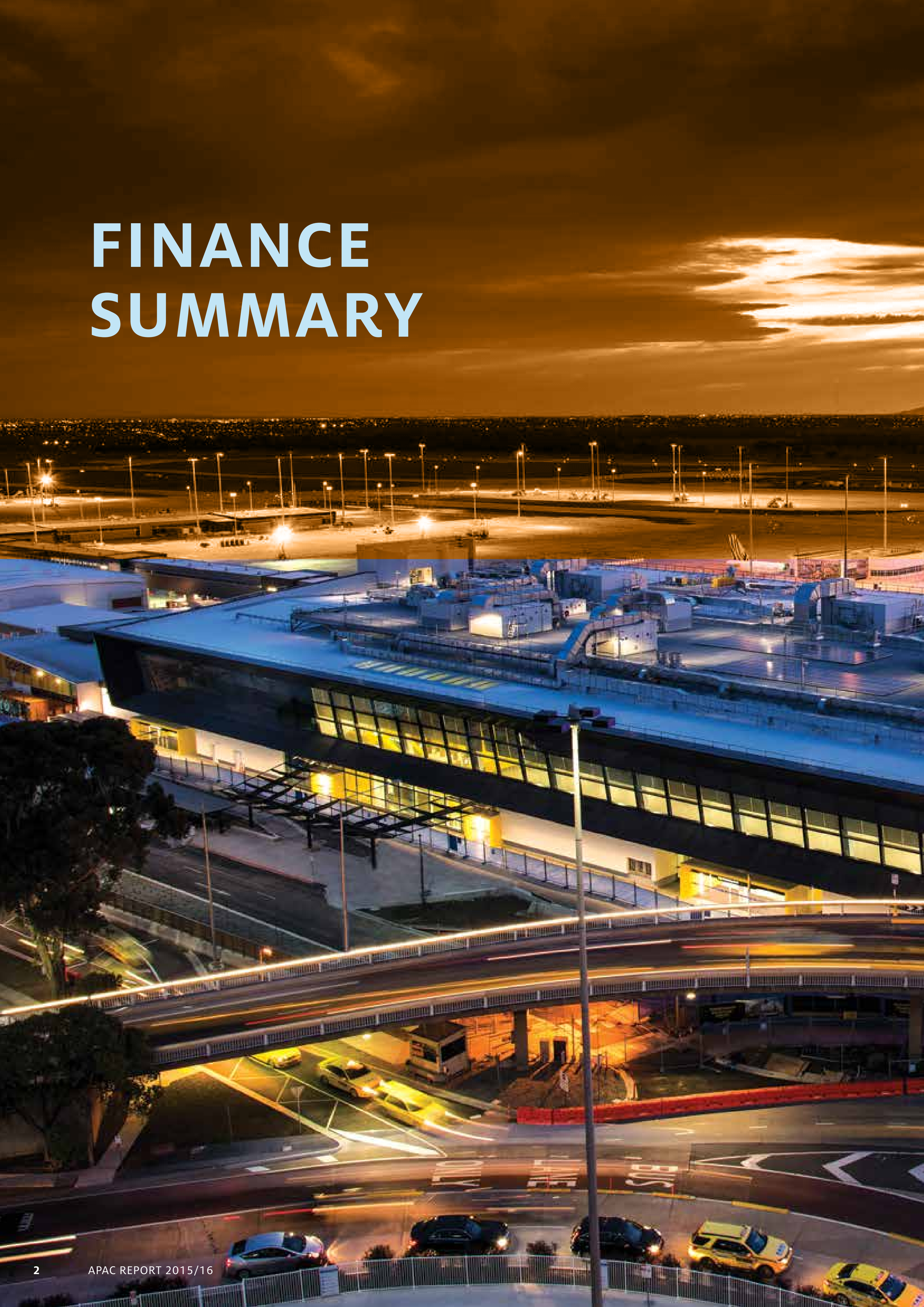
FINANCE SUMMARY



TOTAL REVENUE:

$861.3M

^ 11.4%

OPERATING PROFIT

$607.4 million (^ 6.5%)

NET PROFIT

$267.7 million (^ 4.9%)

CAPITAL EXPENDITURE

$247.4 million

TOTAL PASSENGERS:

35.2M

^ 5.2%

INTERNATIONAL PASSENGERS

9.2 million

MELBOURNE DOMESTIC PASSENGERS

24.7 million

LAUNCESTON DOMESTIC PASSENGERS

1.3 million

NEW DOMESTIC TERMINAL

Melbourne Airport's new, completely self-service, Terminal 4 (T4) opened in three stages during 2015/16.

Tigerair was the first airline to move into its new home on 18 August. Jetstar followed by relocating from its T1 location to T4 on 10 November. New airline to Melbourne Airport, Air North, began the first direct service to Toowoomba on 14 March. Regional Express Airlines (Rex) moved its departures operation from T3 to T4 on 28 April. The Rex arrivals hall is in a separate building south of the main Terminal 4.

The terminal spans three levels on 20,000m^2 of land. It was the first terminal in the world to open as a fully self-service operation with 36 self service check-in kiosks and 18 automated bag drops.

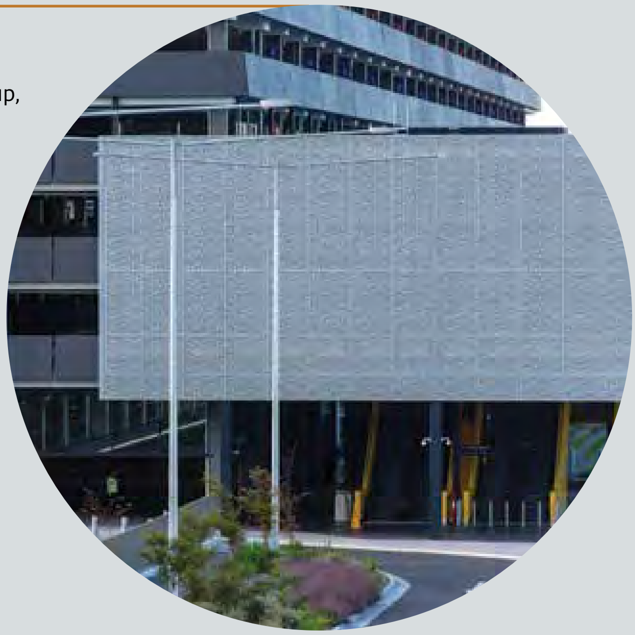
A large 1,200-seat common use departure area for all airline passengers includes 34 retail and food and beverage outlets providing comfort and relaxation prior to boarding.

A call-to-gate system uses the latest technology that consists of large flight information display screens located throughout the departures area providing a countdown to boarding time.

T4 VEHICLES UNDER ONE ROOF

The transport hub opened in October, providing parking, drop-off, pick-up, taxis and buses all under one roof and conveniently located across a pedestrian-only forecourt.

The seven levels of the At Terminal T4 Car Park provide 2,850 bays for passengers travelling to and from Terminal 4.



LAUNCESTON'S TRANSFORMATION

Launceston Airport completed its $3.5 million terminal transformation, which included a 630m^2 expansion of the terminal frontage. New food and beverage stores sell mostly locally sourced products. Public seating was enhanced, toilet facilities were upgraded, and new LED lighting was installed.

CONCRETE MAINTENANCE

After more than three years' construction, Melbourne Airport completed its Papa, Uniform and Golf (PUGs) Taxiway Slab Replacement Program in April. Approximately 70,000m^2 of 45-year-old concrete was replaced, taking 205,000 labour hours.

INTERNATIONAL AIRLINE ARRIVALS

In 2015/16, Melbourne welcomed the arrival of two new international airlines and announced Xiamen Air to arrive on 1 July. China Airlines commenced a direct service to Taipei, and Scoot started flying between Melbourne and Singapore. A number of airlines expanded their services during the year.

TWIN SUPERHUBS

Melbourne Airport completed construction on two large warehouses for Australian icons TNT and Toll IPEC. Located adjacent to one another in the Business Park, these two warehouses were tailor-designed to provide new headquarters for both logistics companies.

4 TERMINALS

COVERING 229,499 SQM

(EQUIVALENT TO 6 FEDERATION SQUARES)

T1 T2 T3 T4

288 APAC STAFF

238,000 AIRCRAFT MOVEMENTS (MELBOURNE)

16,000 AIRCRAFT MOVEMENTS (LAUNCESTON)

275,000 TONNES OF AIR FREIGHT

INTERNATIONAL ROUTE NETWORK

6 domestic airlines flying to **32** destinations

29 international airlines flying to **33** destinations

96 RETAIL STORES IN T2 T3 T4

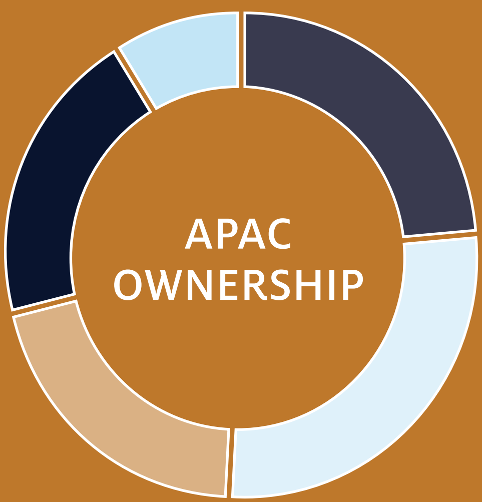
36%

OF AUSTRALIA'S TOTAL EXPORTS
(NUMBER 1 EXPORT FREIGHT AIRPORT IN AUSTRALIA)

35.2 MILLION PASSENGERS
(MELBOURNE AND LAUNCESTON)

PUBLIC CAR PARKING BAYS:
24,406
(MELBOURNE)
1,400
(LAUNCESTON)

50,000
VEHICLES ARRIVING AT TERMINALS EACH DAY (MELBOURNE)



FUNDS OWNED OR MANAGED BY:

- AMP **27.32%**
- IFM INVESTORS **23.67%**
- DEUTSCHE AUSTRALIA LTD **19.97%**
- FUTURE FUND **20.34%**
- HASTINGS FUNDS MANAGEMENT **8.70%**

TOP 5 GROWTH MARKETS (BY PASSPORT) IN FY16:

1. **TAIWAN** (46.3%)
2. **SINGAPORE** (31.3%)
3. **CHINA** (21.9%)
4. **HONG KONG** (21.5%)
5. **PHILIPPINES** (19.4%)

DAVID CRAWFORD AO

CHAIRMAN

I am pleased to report it has been another successful year for Melbourne Airport and its stakeholders.

Since APAC first acquired the lease for Melbourne Airport more than fifteen years ago, traveller numbers have increased by more than 20 million and this is a trend we anticipate will continue into the future.

This growth in passengers has been supported by billions of dollars of privately-funded investment in capital expenditure.

During the last four years alone, investors have been pleased to support more than $1.8 billion in new and upgraded infrastructure, laying the foundations for generations of airport users to come.

At a time when the public sector is challenged in meeting all of the demands on it for new infrastructure spending, our private investment delivers significant dividends for the Victorian and national economy.

Our investment decisions are carefully guided by the requirements of our customers, to ensure they support the growth of their businesses - now and into the future.

Our airport operates safely, efficiently and successfully, and every area of the business is growing.

We fully understand our role as an important part of state infrastructure and this is good news for our city and our state. It means that more people are travelling to Melbourne to do business, participate in major events, further their education or have a holiday. Of course Victorians are travelling in ever increasing numbers too.

We are also planning for the future, including further expansion of our airside and landside facilities.

Our success also makes it easier for Victorian businesses to trade with the rest of Australia and the world through our rapidly growing and world-class freight handling and distribution capabilities.

However, we are not complacent about this success.

There is more to be done to help our airline customers, retailers and many other businesses which operate at Melbourne Airport to continue in their success.

We are using every opportunity we can to improve the traveller's experience as they pass through our airport.

We continue to look to the Commonwealth, Victorian and local governments to support our growth through policy settings that enable the airport to realise its full potential as the international gateway to Victoria and all the benefits this will bring to our community for years and years to come.

During the last four years alone, investors have been pleased to support more than $1.8 billion in new and upgraded infrastructure, laying the foundations for generations of airport users to come.

The new T4 domestic terminal is a good example of how airport operators work with their customers to achieve the best outcome when planning and delivering new investments.

Since it became fully operational in November last year, millions of domestic passengers have used the new terminal.

We work carefully to balance the requirements of our airline customers for new facilities and better services now and in the medium term, with our responsibility to deliver sustainable returns for our investors over the longer term.

It is perhaps not widely understood that our investors are responsible for managing the superannuation and pension funds for millions of Australians.

This year, we will pay dividends of $158 million to our investors.

This is a significant contribution to the retirement incomes for current and future generations of Australians.

I believe we are getting the balance right.

Our future growth will continue to depend on good planning, sensible policy and strategic investment in ground transport infrastructure and services that connect the airport to the rest of the city and state.

The Board of APAC has driven significant change and improvements to ensure that we remain fit to build on our significant achievements over the 19 years of private ownership. We are optimistic and confident of taking this airport forward in the coming years.

On behalf of the Board of APAC, thank you for your support and for your role in helping us to succeed together.

LYELL STRAMBI

CEO AND MANAGING DIRECTOR

Victoria is in high demand. The state's international appeal as a destination for leisure, business, sporting and cultural events or education, is underpinned by the strength of its economy. That global demand for a piece of Victoria has continued to support Melbourne Airport's growth during the past year. The world's most liveable city also continues to be one of the most attractive for domestic and international visitors.

During the year, Melbourne Airport's total passenger numbers increased by 5 per cent to reach 33.9 million passengers. International passenger numbers reached 9.2 million, an increase of almost 10 per cent on the previous year. Our domestic passenger numbers grew by 3.7 per cent to 24.7 million passengers.

Our airline customers are vital in enabling this growth through the introduction of new services, additional frequency or increased seat capacity through the deployment of new aircraft. We welcomed three new international airlines during the year, and a new domestic airline operator, Air North, which introduced direct flights between Melbourne and Toowoomba.

China continued to drive enormous growth in international passenger numbers, with a 21 per cent increase on the previous year. This was achieved by an increase in capacity from the Chinese carriers, such as Air China's new direct service to Beijing. China Eastern and China Southern also supported this growth, along with Sichuan Airlines.

Our airline customers are vital in enabling this growth through the introduction of new services, additional frequency or increased seat capacity through the deployment of new aircraft.

A 31 per cent increase in passengers from Singapore followed the arrival of Scoot during the year, while increased capacity from Qantas and United Airlines contributed to the second consecutive year of double digit growth for passengers from the United States.

Our challenge as the airport operator is to support our customers and their growth by providing the right airport infrastructure for their requirements, as well as ensuring their passengers have a better experience as they journey through the airport. We continued to invest in new and upgraded airside infrastructure through the year while focusing on improvements to our terminal facilities and services to create a stronger sense of place and better experience for our visitors.

These needs are no different at Launceston Airport, with a traveller experience that brings the best of Tasmania right inside the terminal. Travellers through Launceston enjoy convenient, seamless journey through an airport judged the Best Major Airport in Australia by the Australian Airports Association.

In line with our investment in Launceston, passenger numbers grew by more than four per cent to reach 1.33 million. This is almost a third of all visitors by air to Tasmania, and we are working hard with our airline customers and the local visitor industry to grow both the overall Tasmanian tourism market, and Launceston's share of that market.

Our growth in passenger numbers highlights the commitment of our airline customers in Tasmania – Jetstar, Virgin, QantasLink, and Sharp Airlines. But Launceston also has a strong freight offering, which has seen both Virgin and Qantas commit to new dedicated cargo investments.

Overall, we've done well at Launceston, and our pipeline of further investment will continue to deliver even better outcomes for our stakeholders.

Back in Melbourne, our commitment to better infrastructure and service is highlighted in our new T4 domestic terminal. The biggest infrastructure project undertaken since the airport opened in 1970, the new terminal uses state of the art technology to help passengers check in quickly and drop their baggage. The terminal features iconic Melbourne food, beverage and retail brands and is supported by a new multi-level ground transport hub.

T4 demonstrates what can be achieved when the airport operator, airlines, retailers and service providers work together to create a terminal that provides more capacity, efficiency in operations and a great passenger experience.

Our investment in new and upgraded airport infrastructure and better service for our customers and passengers has been achieved along with a strong revenue growth of 11 per cent for the year, resulting in a net profit after tax of $267.7 million.

There was an 18 per cent increase in our expenses to $239 million this year, which was heavily impacted by the opening and operation of the new Terminal 4 and ground transport hub as well as increased costs associated with utilities, other services, and maintenance.

We also place strong emphasis on the quality of our stakeholder relationships. Our airport is an asset for all of Victoria and we recognise our responsibilities to the wider community to operate the airport in a way that supports Victoria's economic and social well-being while minimising its environmental and amenity impact, especially for our neighbours.

It has been a year of transformation for Melbourne Airport. Much has been achieved, but we are focused on the opportunities ahead of us to improve our performance further.

I would like to thank my management team and staff, our airline customers, service providers, business and community partners, and our owners, for their steady support through the year. I look forward to working with them on realising our ambition to remain an airport Melbourne can be proud of.

OUR PEOPLE


Departures
Flight
Destination
JQ 007 SINGAPORE
QF 291 SINGAPORE
QF 035 SINGAPORE
9W 4009 SINGAPORE
AY 5014 SINGAPORE
BA 7309 SINGAPORE
EK 5035 SINGAPORE
PR 210 MANILA
QF 095 LOS ANGELES
HAVE A NICE DAY

A
David Crawford AO
Chairman

Appointed 30 April 2012

Mr Crawford is also the Chairman of Lend Lease Corporation Limited and South32 Limited, and a Member of Advisory Boards for Allens Linklaters, Evans and Partners Pty Ltd, and Bank of America Merrill Lynch.

B
Lyell Strambi
Managing Director

Appointed 9 November 2015

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

C
John Harvey
Director

Appointed 2 May 2011
Resigned 15 February 2013
Re-appointed 25 March 2013

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

D
Danny Elia
Director

Appointed 6 October 2015

Mr Elia is the Executive Director of Global Asset Management at IFM Investors.

E
Michael Robinson
Director

Appointed 5 April 2016

Mr Robinson is the Managing Director, Head of Infrastructure Australia at Deutsche Australia Limited.

F

Lisa Evans

Company Secretary

Appointed 27 April 2009

Ms Evans is APAC's Company Secretary and Executive General Manager Corporate Services.

G

Barry Brakey

Director

Appointed 25 February 2015

Mr Brakey is the Head of Property at the Future Fund.

H

Michael Cummings

Director

Appointed 19 March 2015

Mr Cummings is the Head of Funds – Infrastructure at AMP Capital Investors for Australia and New Zealand.

I

David Kenny

Director

Appointed 7 December 2015

Mr Kenny is an Investment Director, Infrastructure at AMP Capital Investors.

Resigned Directors

Kyle Mangini

Appointed 16 October 2009
Resigned 6 October 2015

Rob Verrion

Appointed 9 February 2015
Resigned 7 December 2015

Nadir Maruf

Appointed 5 March 2014
Resigned 23 March 2016

A

Lyell Strambi
Chief Executive Officer

Mr Strambi joined APAC in September 2015. He has extensive experience spanning more than 30 years in the aviation sector 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 he worked for eight years at Virgin Atlantic Airways based in London.

B

Nadine Lennie
Chief Financial Officer

Ms Lennie joined APAC in 2015 after serving as a Director of the APAC Board for three years. Prior to APAC, Ms Lennie was a Director of Infrastructure and Timberlands at the Future Fund.

C

Andrew Gardiner
Chief of Retail & Launceston Airport

Mr Gardiner has had an extensive career in the retail industry both in Australia and abroad including a senior leadership role at Sydney Airport. He joined APAC in June 2014.

D

Lorie Argus
Chief of Parking and Ground Transport

Ms Argus joined APAC in 2015 after holding senior positions at Queensland Urban Utilities and the Virgin Group of Airlines, which saw her based at Sydney and Brisbane airports.

E

Simon Gandy
Chief of Aviation

Mr Gandy joined APAC in 2007 and has more than 25 years' aviation experience, including senior leadership roles with Heathrow and Gatwick airports.

F

Linc Horton
Chief of Property

Mr Horton joined APAC in 2008 and has over 17 years' experience in property and investment including senior roles with BAA Lynton and Threadneedle Property Investment.

G
Lisa Evans
Executive General Manager Corporate Services

Ms Evans joined APAC in 2009. Ms Evans has had more than 20 years' experience as a lawyer in senior corporate roles and in law firms.

H
Carly Dixon
Executive Corporate and Public Affairs

Ms Dixon joined APAC in 2008 and has extensive experience in public affairs, communications and policy roles within the public and private sectors. Ms Dixon has served in senior advisory roles for Commonwealth Cabinet Ministers and Victorian parliamentarians.

I
Michael Jarvis
Executive Planning and Development

Mr Jarvis joined APAC in 2011. He is an economist with experience in airport planning and commercial airline analysis.

J
Eileen Kershaw
Executive Human Resources

Ms Kershaw joined APAC in June 2016. She has extensive human resources experience built on previous roles at ASX listed, and private, companies.

K
Paul Bunker
Executive Business Systems

Mr Bunker joined APAC in 2011. He has considerable experience and project management capability in Information and Communication Technologies (ICT) and Information Systems Management.

L
Paul Hodgen
General Manager, Launceston Airport

Mr Hodgen joined APAC in 2011 and has more than 37 years' aviation experience including roles with Jetstar, British Midland Airways and British Airways.

CORPORATE

NEW STRATEGY

A strategy targeting delivery of the new corporate vision was developed at the start of 2016 and is supported by robust business planning and reporting.

ORGANISATIONAL RESTRUCTURE

To support the new Corporate Strategy, the organisation was restructured to better balance stakeholder needs and to reflect a variety of unique business operations. This resulted in the establishment of four core business units – Aviation, Retail, Parking & Ground Transport and Property.

BUSINESS UNITS		SUPPORT UNITS	
Aviation	Retail	Strategy & Finance	Corporate Services
Parking Ground Transport	Property	Planning & Development	Infrastructure Procurement & Delivery

STAFF

STAFF DEVELOPMENT AND WELLBEING

At 30 June, 288 people were employed by APAC with 77 new appointments made in 2015/16.

Health and wellbeing was supported through information and advice. A total of 12 activities to promote a healthy work environment were held during the year. Among these were a cooking class and nutrition session. Information sessions were held about fatigue, power foods, and the Sun Smart and Quit programs. Meditation sessions were held, and flu shots provided.

APAC participated in the Global Corporate Challenge in calendar years 2015 and 2016. Across both years almost 230 staff participated in the 100-day challenge to increase physical activity levels, and improve diet and quality of sleep.

APAC staff were invited to take part in the annual employee engagement survey. Feedback received from the survey informed improvement initiatives.

APAC's employee recognition program, The Aviators, continued to acknowledge and reward staff that align with APAC's values and behaviours.

OUR OPERATIONS

AVIATION

PARKING AND GROUND TRANSPORT

PROPERTY

RETAIL

AVIATION

Highlights

- Three new airlines commenced operation
- 70,000m^2 concrete replacement program completed
- 21 new aircraft parking bays added
- 6 million passengers for new Terminal 4
- Six new aerobridges built in T2
- $3.5 million Launceston Airport transformation completed

TERMINAL DEVELOPMENTS

Melbourne Airport's new Terminal 4 was officially opened by Federal Treasurer the Honourable Scott Morrison on Wednesday 9 December 2015.

Located between Terminal 3 and the existing T4 buildings, the new terminal welcomed 6 million passengers between 18 August and 30 June.

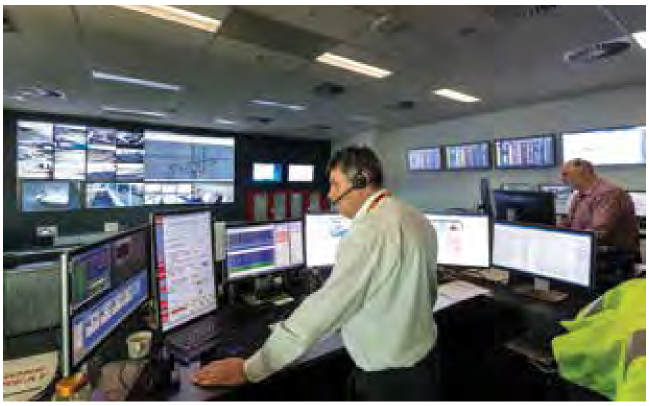
During the two-year construction, approximately 6,500m^2 of concrete was used, which is equivalent to five Olympic-size swimming pools, and 240 workers were employed on average each day.

Launceston airport completed its $3.5 million transformation, which included a 630m^2 expansion of the terminal frontage and 230m^2 retail precinct.

Emirates A380 aircraft is perfect for the new triple aerobridge.

Melbourne Airport became Australia's first airport to construct a triple aerobridged aircraft parking stand servicing A380 aircraft, which can also be configured to support dual narrow-body aircraft operations. The 18-month aerobridge project in the International Terminal (T2) included replacing four existing aerobridges (two per aircraft parking bay) with six new aerobridges (three per aircraft parking bay). The all-glass aerobridges improve passenger flows and provide a better experience for travellers.

The new Melbourne Airport Coordination Centre was delivered on time and on budget in June 2016. The Airport Coordination Centre is equipped with state of the art technology such as an all in one telephone radio system, which allows staff to answer calls and use radios through computers. A key feature of the new centre is a large adaptable video wall that provides 228 CCTV feeds and provides the ability for staff to have visibility over the whole airport. The new centre also has a custom designed initial incident management room.



Airport Control Centre.

Launceston Airport.

AIRFIELD IMPROVEMENTS

Melbourne Airport completed its Papa, Uniform and Golf (PUGs) Taxiway Slab Replacement Program. This included the replacement of 70,000m^2 of 45 year old concrete. The project took 205,000 labour hours to complete over three and a half years and was delivered on time and on budget with no lost time injuries.

The Southern Apron Extension project was completed in September 2015 after two years of construction. This project created up to 21 new aircraft parking bays to complement daily operations at the new Terminal 4.

Work continued on the Runway Development Program. A number of studies commenced to inform the preparation of a Major Development Plan in accordance with the Commonwealth *Airports Act 1997*, which is the Federal Government approval channel for the proposed new east-west runway and extension to the existing east-west runway.

A number of milestones were reached on Melbourne Airport's Taxiway Victor South Project as construction of this new taxiway neared completion. This included the migration of critical Airfield Ground Lighting Infrastructure to a new Airfield Lighting Equipment Room (ALER) and associated ALER building. This work involved engagement and management of multiple stakeholders, in particular Air Services Australia.

Launceston Airport was named the Australian Airports Association Major Airport of the Year during the annual AAA Conference held in Hobart in November.

AVIATION

Passenger

Highlights

- Highest number of international arrivals in one day: 17,597 on 16 January
- Highest number of international departures in one day: 17,547 on 19 December
- Highest number of arrivals in one week: more than 111,369 week ending 21 January
- Highest number of departures in one week: more than 112,315 week ending 24 December

INNOVATION AND TECHNOLOGY

Technology continued to improve the traveller experience with additional self-service check-in and automated bag-drop facilities installed in Melbourne Airport's T2 and new T4.

Melbourne Airport worked with Australian Border Force to deliver 18 Smart Gates in Terminal 2 during the year.

In April 2016, Melbourne Airport became the first Australian airport to offer passengers personalised, real time information about their flight via social media. The BizTweet technology offers information to travelling passengers such as departure gates and boarding times via Twitter.

Wi-Fi capacity upgrades were completed across all terminals to improve Wi-Fi coverage and performance.

In April, Melbourne Airport reached 9 million international passengers for the first time in a twelve month period.

More than 3 million travellers passed through Melbourne Airport in December, a new monthly record for the airport.

Collingwood Football Club players helped their premier partner, Emirates, celebrate 20 years flying to Melbourne on 26 June.

NEW AIRLINES

Melbourne Airport welcomed three new airlines in 2015/16.

China Airlines' new service to Taipei, three times per week, commenced in October.

Scoot arrived in November, providing a direct service to Singapore five times per week.

Air North introduced a direct service between Melbourne and Toowoomba from Australia's newest airport, Brisbane West Wellcamp, on Queensland's Darling Downs.

NEW ROUTES AND SERVICES

- Etihad added a second daily service from Abu Dhabi to Melbourne in August
- Emirates upgauged to an A380 its Dubai-Singapore-Melbourne service in March
- Tigerair started its inaugural international service to Bali in March
- Qantas added three weekly services to Singapore to reach a total of 10 frequencies per week in May
- Etihad upgauged one of its two daily services to an A380 in June
- Qantas upgauged three frequencies with a B747 on its daily service to Hong Kong in April
- China Eastern added additional Shanghai frequencies
- China Southern added additional Guangzhou frequencies
- Air Asia X increased capacity to operate double daily services year-round.

PARKING AND GROUND TRANSPORT

Highlights

- Transport hub opened for all T4 vehicles
- 2,850 parking bays opened in new At Terminal T4 Car Park
- 3.3km extension of Airport Drive opened
- 11,000 daily vehicle movements on new Airport Drive
- 700,000+ car parking bookings made online
- Long Term Car Park bus service every four minutes

TRANSPORT HUB

The new eight-level transport hub adjacent to Terminal 4 opened in October. It provides dedicated, safe and efficient public pick-up and drop-off areas, bus interchange and taxi rank on the ground floor.

The At Terminal T4 Car Park spans seven levels of the transport hub, providing 2,850 car parking bays all within a short, undercover, walk to T4.

Between October and 30 June, the At Terminal T4 Car Park exceeded expectations with an average occupancy rate of 42 per cent.

IMPROVING GROUND TRANSPORT

The 3.3km extension of Airport Drive was completed in June and officially opened by the Victorian Minister for Roads, Luke Donnellan, on 1 July. Built from Sharps Road to Mercer Drive, it links with the old Melrose Drive, which was also renamed Airport Drive to provide one continuous arterial from the M80 Ring Road to the terminal precinct. The new road is a second major entry to the airport, providing direct access from Melbourne's western suburbs. A shared path for pedestrians and cyclists was also built to provide an alternative transport option. In its first year of operation, 11,000 traffic movements occurred each day on Airport Drive.

The first stage of Melbourne's elevated loop road was completed as part of construction of the transport hub. This road is part of Melbourne Airport's long-term road access solution to reduce congestion and allow vehicles to move through the terminal precinct more efficiently.

New transport hub.

MORE CAR PARKING OPTIONS

The additional 2,850 parking bays provided by the new At Terminal T4 Car Park brought the new total to 24,406 car parking bays.

These car parking bays are located in both of the At Terminal car parks, and the Value Long Stay, Long Term and Northern Business car parks, providing parking options for the 50,000 vehicles that arrive at Melbourne Airport every day.

Phase 1 of the Long Term Car Park Bus Replacement program was completed, upgrading the fleet to modern buses fully equipped with customer friendly luggage racking, free Wi-Fi and improved capacity. The service was also improved to provide buses every four minutes on average.

T4 pick up zone.

ONLINE CAR PARKING

More visitors are taking the opportunity to secure their car parking spot at the best price by booking online. At the Terminal T1, T2 and T3 Car Park, online bookings increased by 46 per cent compared to the previous year while in the Long Term Car Park, bookings made online increased by 47 per cent. The airport's Valet parking option recorded the highest growth in online bookings, with a 105 per cent increase in web-based bookings.

PROPERTY

Highlights

- 275,000 tonnes of freight
- 32ha of logistics facilities delivered to premium tenants
- Two new airline lounges opened
- Australia's first surf park announced
- TNT, Toll Ipec and Alpha Flight Catering facilities completed
- Whisky distillery installed at Launceston Airport

COMPLETED DEVELOPMENTS

Toll Ipec and TNT warehouses in the Business Park.

Melbourne Airport welcomed TNT to its new Australian headquarters in the Business Park in early July. The 41,600m² facility is the largest distribution centre in TNT's global network.

Construction of the Toll Group's new 69,000m² facility was completed in September, making it the largest freight sorting facility of its kind in Australia.

The largest commercial kitchen in the southern hemisphere was completed with Alpha Flight Catering moving into its new 10,355m², $10 million, facility during the year.

CONSTRUCTION UNDERWAY

Construction commenced on a 22,833m² warehouse development on Steele Way in the Business Park and 10,132m² of warehouse in the Melbourne Airport Cargo Estate (MACE).

The Steele Way warehouse will be split into units with Bollore Logistics taking 9,847m² of space across two of the units. The MACE will be split into three units with one leased to Seaway Logistics.

AIRLINE LOUNGES

Etihad lounge.

Emirates and Etihad moved into their new premium lounges in 2015/16.

Emirates opened in December, followed by Etihad in May. Both lounges, located on level 3 near Gate 10, have sweeping views of the airfield. Etihad was fitted with a contemporary 'Melbourne' design and style.

Construction on a new lounge for Air New Zealand commenced during the year.

Proposed surf park.

FUTURE DEVELOPMENTS

Australia's first surf park, URBNSURF, was announced for the Gateway site. The key feature will be a surf lagoon that generates continuous waves in a safe, controlled environment. Construction is expected to start in 2016/17.

Planning commenced on a new hotel and a petrol station precinct.

The T2 office refurbishment plans were developed with construction expected to be completed in the first half of 2016/17.

LAUNCESTON'S NEW TENANTS

The first whisky distillery in the Launceston area in 175 years arrived at Launceston Airport, with the installation of two new stills in Hangar 17, a building of heritage significance and one of the oldest aviation facilities in the state.

Virgin Australia Cargo took up residence in the refurbished Building 1 at Launceston Airport. The new tenant commenced sales and cargo acceptance from the facility on 1 October. It plans to commence dedicated freighter operations using a B737 Freighter in 2016/17, and will expand into a second hangar for cargo warehousing.

MELBOURNE RETAINS EXPORT MARKET SHARE

Melbourne Airport retained its 36 per cent export market share from the previous year, reflecting 21 per cent growth for the year.

Approximately 163,000 tonnes of goods ranging from fresh fruit, vegetables, dairy and meat to medicines, medical products, electrical parts, precious stones and metals were exported in 2015/16.

The year saw a 6 per cent decline in imports compared to 2014/15. Approximately 111,691 tonnes of goods were imported into Melbourne Airport, which holds 29 per cent of the market share for inbound commodities.

Melbourne Airport provides importers and exporters with flexible access to local and world markets through its 24/7 operation.

Goods were delivered to destinations around the world, with leading export countries being US, China, Singapore, Malaysia, New Zealand and the United Arab Emirates.

RETAIL

Highlights

- 34 new retailers opened in T4
- Retail space increased by 26 per cent
- 87 per cent customer satisfaction
- New duty free contract awarded to Dufry until 2022
- Improved contracts negotiated for foreign exchange and advertising
- Expansion of Launceston Airport retail completed

T4 YOU

The open plan T4 departure lounge was designed to provide a relaxing environment for passengers to eat, shop or rest before boarding.

Thirty four new retailers opened in Terminal 4, the first of which began trading in August.

Retailers were selected by Melbourne Airport following extensive customer research into traveller preferences for the new terminal. This included brands such as Rip Curl, Desigual and Victoria's Secret.

With the opening of Country Road, Trenery, Witchery and Mimco, all Country Road Group stores are represented for the first time at an Australian airport.

A range of food and beverage stores including Boost, McDonald's and Melbourne coffee institution Brunetti, which received a Highly Commended Award at the 2016 International Airport FAB Awards for Airport Coffee Shop of the Year, also opened.

To help passengers navigate the new Terminal 4 including where to eat, drink and shop, a dedicated website, T4you.com.au, was developed.

IMPROVING CUSTOMER SERVICE

Mystery shopping audits identified improvements in overall service levels at stores across all terminals. Customer satisfaction rates climbed from 82 per cent in 2014/15 to 87 per cent.

Customer service levels improved in the areas of eating and drinking, and shopping facilities, from 3.86 to 3.95 (out of 5).

In Launceston, branded signage and wayfinding, were implemented and included Mandarin language elements, reflecting the growing importance of its Chinese visitors.

Artist's impression: Proposed T2 luxury precinct.

T2 RETAIL REDEVELOPMENT

Planning commenced for the next stage of Melbourne Airport's retail development. This airside project will open in four stages during the 2016/17 and 2017/18 financial years. It will include an expansion of the airside duty free area by 1000m², a luxury brand precinct, opening five new food and specialty retailers, and a vibrant laneway precinct.

LAUNCESTON TRANSFORMS RETAIL SPACE

A 630m² expansion of Launceston Airport's terminal frontage, housing new food and beverage options, was completed. It includes the world's first James Boag Upper Deck Bar and Restaurant and a licenced Hudsons Coffee outlet.

Almost 90 per cent of the produce sold from the new dining facilities is locally sourced.

A refurbished 230m² site, housing a new brand concept in airport speciality retailing 'The Launceston Store', provides a true 'Tasmanian' retail offer.

T2 Duty Free

NEW CONTRACTS

Negotiations to expand the duty free footprint in Terminal 2 concluded. A new contract was awarded to Dufry until 2022.

A bank and currency tender was awarded to Travelex, guaranteeing Melbourne Airport's foreign exchange business for the next five years.

An improved advertising and media agreement was reached with oOh!media, which is responsible for all print, digital and online advertising across the airport. The new contract gives oOh!media exclusivity across all terminals until 2020.

OUR COMMUNITY

ENVIRONMENT

SPONSORSHIP AND EVENTS

STAKEHOLDER, GOVERNMENT AND COMMUNITY ENGAGEMENT

ENVIRONMENT

STAKEHOLDER, GOVERNMENT AND COMMUNITY ENGAGEMENT

SPONSORSHIP AND EVENTS

Highlights

- 5M litre stormwater system and 100,000m^2 retarding basin installed to enhance Steele Creek North.
- Fire Management Plan for Grey Box Woodland delivered
- Four Environment Business Partners Forums held
- ISO14001:2004 accreditation achieved
- 70 scholarships supported for Western Chances
- 90 Samsung tablets donated to Banksia Gardens Community Services
- Four Community Aviation Consultation Group meetings held

ENVIRONMENT

Steele Creek North.

STORMWATER HARVESTING

Melbourne Airport completed its Steele Creek North Stormwater Harvesting Project in 2015/16.

The project was part of significant environmental enhancements to nearby Steele Creek North, which caters for one-in-100 year flow events. The enhancements included a five million litre stormwater system with a 100,000 m^2 retarding basin and a network of large pipes that are up to 2.7m diameter.

CERTIFICATION

An audit of Melbourne Airport's Environment Management System (ISO14001:2004) was held in May, which resulted in gaining recertification. Certification has been retained to the 2004 standard with migration to the new 2015 standard expected by 2018.

ENGAGEMENT

The quarterly Environment Business Partners Forum was held in August, November, February and May. These forums provide an opportunity to update Melbourne Airport's business partners on current environmental initiatives and hear what they are doing in the environment space. Approximately 25 people attended the four forums in total.

In May 2016, Melbourne Airport held a key stakeholder workshop with CFA, SES, local government, ARFF, MFB and other authorities and will consult with neighbours to the site to ensure they have fire prevention strategies in place.

STAKEHOLDER, GOVERNMENT AND COMMUNITY ENGAGEMENT

The following activities were held in 2015/16 to support engagement with stakeholders, all levels of government and the community:

- Melbourne Airport convened the Community Aviation Consultation Group each quarter to discuss airport issues and hear the views and opinions of its stakeholders.
- Melbourne Airport representatives visited a number of locations and events including shopping centres, local sporting clubs and festivals to inform the local community about current and planned infrastructure developments and Melbourne Airport.
- The annual stakeholder audit was held with results to be announced at the 2016 Stakeholder event in September.
- Melbourne and Launceston continued their engagement with all levels of government including formal forums such as the Noise Abatement Committee and Planning Coordination Forum.

Melbourne Airport's team of chaplains, led by Salvation Army Major Winton Knop, provide hundreds of travellers and staff from all faiths with support each week.

SPONSORSHIP AND EVENTS

Melbourne Airport supports a number of not-for-profit groups and celebrates multicultural events throughout the year.

In December, Melbourne Airport launched its Community Development Fund to support local education and environment projects.

Among the recipients was Banksia Gardens Community Services, which received the following support:

- Donation of 90 Samsung tablets
- Financial assistance to employ professional tutors for the 150 students that attend four weekly after school coaching sessions each week
- The establishment of the Banksia Gardens School Scholarships Program and three inaugural award recipients.

For the eighth consecutive year, Melbourne Airport financially supported Western Chances. In 2015/16, Melbourne Airport made 70 scholarships possible to young people living in the west. Melbourne Airport is the major corporate partner of Western Chances and has supported more than 254 young people to reach their full potential since its involvement with the not-for-profit organisation.

Under the Community Development Fund, Melbourne Airport also supported the new Hume education scholarship program and Conservation Volunteers' Eastern Barred Bandicoot program at Woodlands Historic Park.

Cultural holidays such as Christmas, Diwali, Chinese New Year and Australia Day were celebrated with events inside the terminal.

FINANCIALS


Public pick-up
2F

DIRECTORS' REPORT

The Directors of Australia Pacific Airports Corporation Limited (APAC) ACN 069 775 266 submit herewith the annual report of Australia Pacific Airports Corporation Limited (the "Company") and its subsidiaries ("Consolidated Entity") for the financial year ended 30 June 2016.

Directors

The names of the Directors of the Consolidated Entity during or since the end of the financial year are:

Name	Position	Appointment
Continuing		
Mr D. Crawford AO	Chariman	Appointed 30 April 2012
Mr L. Strambi	Managing Director	Appointed 9 November 2015
Mr J. Harvey	Director	Appointed 2 May 2011, Resigned 15 February 2013
	Director	Appointed 25 March 2013
Ms L. Buck	Alternate Director	Appointed 23 July 2014 (as alternate for Mr N. Maruf)
		Revoked 23 March 2016
		Appointed 5 April 2016 (as alternate for Mr M. Robinson)
Mr M. Cummings	Alternate Director	Appointed 19 February 2015 (as alternate for Ms M. Beltran)
	Director	Resigned as alternate, Appointed 19 March 2015
Mr B. Brakey	Director	Appointed 25 February 2015
Mr D. Elia	Alternate Director	Appointed 2 June 2015 (as alternate for Mr K. Mangini)
	Director	Resigned as alternate, Appointed 6 October 2015
Mr K. Mangini	Director	Appointed 16 October 2009, Resigned 6 October 2015
	Alternate Director	Appointed 6 October 2015 (as alternate for Mr D. Elia)
Mr H. Rees	Alternate Director	Appointed 27 July 2015 (as alternate for Mr M. Cummings)
Mr D. Kenny	Director	Appointed 7 December 2015
Mr M. Robinson	Director	Appointed 5 April 2016
Not Continuing		
Mr R. Verrion	Director	Appointed 9 February 2015, Resigned 7 December 2015
Mr N. Maruf	Director	Appointed 5 March 2014, Resigned 23 March 2016
Mr A. Barlass	Alternate Director	Appointed 5 March 2014 (as alternate for Mr N. Maruf)
		Resigned 21 March 2016
Mr S. Yu	Alternate Director	Appointed 6 November 2014 (as alternate for Ms M. Beltran)
		Revoked 19 March 2015
	Alternate Director	Appointed 19 March 2015 (as alternate for Mr R. Verrion)
		Revoked 7 December 2015
	Alternate Director	Appointed 7 December 2015 (as alternate for Mr D. Kenny)
		Revoked 22 July 2016
	Alternate Director	Appointed 29 February 2016 (as alternate for Mr M. Cummings)
		Revoked 22 July 2016

The above named Directors held office during and since the end of the financial year, except as stated above.

DIRECTORS' REPORT

Directors' meetings

The following table sets out the number of Board and Committee meetings held during the financial year, and the number of meetings attended by each Director whilst they were a Director or member of the relevant Committee. During the financial year, the total number of meetings held was ten Board meetings, four Audit and Risk Management Committee meetings, eight Finance and Project Committee meetings and eight Remuneration Committee meetings.

	Board of Directors		Audit and Risk Management		Finance and Projects		Remuneration	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Continuing								
Mr D. Crawford AO	10	10	4	3	1	1	8	7
Mr L. Strambi	7	7	2	2	3	3	7	7
Mr J. Harvey	10	7	4	4	-	-	-	-
Ms L. Buck	-	-	-	-	-	-	1	1
Mr M. Cummings	10	9	1	1	1	1	8	7
Mr B. Brakey	10	10	4	4	8	8	-	-
Mr D. Elia	10	10	1	1	2	1	7	7
Mr K. Mangini	3	-	-	-	-	-	1	1
Mr H.Rees	1	1	-	-	-	-	-	-
Mr D. Kenny	6	6	-	-	1	1	-	-
Mr M. Robinson	3	3	-	-	1	1	4	3
Not Continuing								
Mr R. Verrion	4	3	-	-	6	6	-	-
Mr N. Maruf	7	7	1	1	7	6	4	4
Mr A. Barlass	-	-	-	-	-	-	-	-
Mr S. Yu	1	1	-	-	-	-	-	-

	Board of Directors		Audit and Risk Management		Finance and Projects		Remuneration	
Company Secretary	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Continuing								
Ms L. Evans	10	10	4	4	8	8	8	6

DIRECTORS' REPORT

Principal activities

The Consolidated Entity's principal activity during the course of the financial year was the management of airport operations at Melbourne Airport and Launceston Airport.

Review of operations

APAC and its subsidiaries recorded revenue of $861,327,000 (2015: $773,167,000) and operating expenses of $253,975,000 (2015: $202,861,000) resulting in earnings before investment property gains, borrowing costs, tax, depreciation and amortisation of $607,352,000 for the year ended 30 June 2016 (2015: $570,306,000).

Depreciation and amortisation expense was $148,999,000 (2015: $106,654,000) and total borrowing costs were $175,484,000 (2015: $160,792,000) giving a profit before income tax of $381,603,000 (2015: $364,287,000) and profit after tax of $267,726,000 (2015: $255,193,000)

		Consolidated	
	Notes	2016 $'000	2015 $'000
Total Revenue		861,327	773,167
Operating Profit		607,352	570,306
EBITDA (1)		706,087	631,733
Net profit		267,726	255,193
EBITDA before exceptional items (2)		621,454	570,307
Profit after tax		**267,726**	**255,193**
Income tax expense	3	113,877	109,094
Profit before tax		**381,603**	**364,287**
Change in fair value of investment property		(98,734)	(61,427)
Borrowing costs	2	175,484	160,792
Depreciation, amortisation and impairment	1	163,099	106,654
EBITDA before exceptional items (2)		**621,454**	**570,307**

(1) EBITDA is earnings before interest, tax, depreciation and amortisation, including changes in fair value of investment properties.
(2) EBITDA is earnings before interest, tax, depreciation and amortisation excluding impairment loss and other non-operating gains/losses.
(3) The Company believes that this non-IFRS, unaudited information is relevant to the user's understanding of the results.

Dividends

The Directors declared a final dividend for 30 June 2015 of $75,000,000 (64 cents per share) which was paid on 9 October 2015 and an interim dividend for the year ended 30 June 2016 of $83,000,000 (70 cents per share) paid on 30 March 2016.

The Directors are proposing a final dividend of $105,273,000 (89 cents per share) to be paid in October 2016.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Consolidated Entity. It is however noted that the new Terminal 4 was officially opened on 9 December 2015 after a staged opening.

Subsequent events

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

DIRECTORS' REPORT

Future developments

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

Environmental regulations

In relation to environmental matters, the Consolidated Entity is subject to the Airports Act 1996 ("the Act") and the Airports (Environment Protection) Regulations 1997 ("the Regulations"). The Board is satisfied that the results of environmental monitoring conducted by internal and external specialists during the year ended 30 June 2016 demonstrate compliance with the Act and the Regulations.

Indemnification of officers and auditors

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

The Company has entered into a deed of indemnity with each Director and their alternates which provides that the Company will:

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

both during the period the Director holds office and for a period of seven years after the Director ceases to hold office.

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

Rounding off of amounts

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

Corporate governance

The Directors are responsible for the corporate governance practices of the Consolidated Entity. Pages 40 and 41 of this Report set out the main corporate governance practices that were in operation throughout the financial period, except where otherwise indicated.

Board of Directors

On the day on which the Directors' Report was made, the Board consisted of seven non-executive Directors and one Managing Director. Details of the Directors are set out on page 38 of the Directors' Report.

The primary responsibilities of the Board include:

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

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

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

DIRECTORS' REPORT

Audit and Risk Management Committee

The Audit & Risk Management Committee is comprised of two non-executive Directors and meets at least three times each year. The Audit and Risk Management Committee meetings provide a separate forum for the review of:

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

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

The Committee is responsible for monitoring the Company's system of internal control and endorsing the Risk Management Framework. The Committee regularly monitors the operational and financial aspects of the Company's activities and considers the recommendations and advice of auditors and other external advisors on the operational and financial risks that face the Company.

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

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

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

Finance and Projects Committee

The Finance and Projects Committee is comprised of four non-executive Directors. Meetings are held as required, but at least twice per year. Its focus is on the financial arrangements of the Company, including:

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

The Finance and Projects Committee is also charged with reviewing and reporting to the Board on any large scale projects which the Company intends to embark on including capital projects which are complex in nature. Except in the case of projects delegated by the Board to the Committee for review and approval, the Committee has no delegated authority of its own.

Remuneration Committee

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

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

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

Australia Pacific Airports Corporation Limited

Directors' Report

This Directors Report is signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Mr D. Crawford AO	Mr L. Strambi
Chairman	Managing Director
MELBOURNE	MELBOURNE
25 August 2016	25 August 2016

Deloitte.

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

25 August 2016

Dear Board Members,

Auditors Independence Declaration - Australia Pacific Airports Corporation Limited

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

As lead audit partner for the audit of the financial statements of Australia Pacific Airports Corporation Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants

Deloitte.

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

We have audited the accompanying financial report of Australia Pacific Airports Corporation Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 11 to 49.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australia Pacific Airports Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Australia Pacific Airports Corporation Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants
Melbourne, 25 August 2016

Australia Pacific Airports Corporation Limited

Directors' Declaration

The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;

(b) In the Directors' opinion, 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.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Mr D. Crawford AO	Mr L. Strambi
Chairman	Managing Director
MELBOURNE	MELBOURNE
25 August 2016	25 August 2016

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue			
Aeronautical revenue		349,333	307,112
Security revenue		47,577	37,790
Retail revenue		325,867	301,461
Property revenue		101,546	93,197
Outgoings/recharges		32,297	29,115
Interest revenue		771	2,608
Other income		2,021	1,858
		859,412	**773,141**
Profit on sale of fixed assets		1,915	26
Total revenue		**861,327**	**773,167**
Less operating costs:			
Staff costs		(50,762)	(45,983)
Service and utilities		(130,612)	(108,745)
Maintenance costs		(29,667)	(22,660)
Administration and marketing costs		(13,770)	(11,760)
Other costs		(29,164)	(13,713)
Operating profit		**607,352**	**570,306**
Add:			
Change in fair value of investment property		98,734	61,427
Less:			
Depreciation and amortisation	2	(148,999)	(106,654)
Borrowing costs	2	(175,484)	(160,792)
Profit before income tax expense		**381,603**	**364,287**
Less:			
Income tax expense	3(a)	(113,877)	(109,094)
Profit for the year		**267,726**	**255,193**
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges, net of income tax	20	10,396	(7,394)
Total comprehensive income for the period		**278,122**	**247,799**
Profit for the year attributable to the owners of the Company		**267,726**	**255,193**
Total comprehensive income attributable to the owners of the Company		**278,122**	**247,799**

Notes to the financial statements are included on pages 52 to 79

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Consolidated 2016 $'000	2015 $'000
Current Assets			
Cash and cash equivalents		6,337	2,594
Inventories		163	156
Receivables	5	82,013	68,591
Current tax receivable	3	6,688	3,663
Other assets	6	7,955	3,616
Accrued revenue	7	13,785	7,569
Total current assets		**116,941**	**86,189**
Non-current assets			
Property, plant and equipment	8	2,599,401	2,551,360
Investment property	9	1,357,783	1,222,434
Intangible assets	11	673,004	673,520
Financial assets	12	339,463	220,719
Other assets	6	16,724	-
Accrued revenue	7	44,376	39,014
Total non-current assets		**5,030,751**	**4,707,047**
Total assets		**5,147,692**	**4,793,236**
Current liabilities			
Payables	13	111,812	137,457
Borrowings	14	249,950	299,775
Employee benefit provisions		5,364	5,964
Financial liabilities	15	1,004	5,651
Total current liabilities		**368,130**	**448,847**
Non-current liabilities			
Borrowings	16	3,263,980	2,999,300
Payables	17	1,202	1,202
Deferred tax liability	3(b)	476,390	430,714
Employee benefit provisions		1,313	1,518
Financial liabilities	15	65,925	60,848
Unearned income		3,868	4,045
Total non-current liabilities		**3,812,678**	**3,497,627**
Total liabilities		**4,180,808**	**3,946,474**
Net assets		**966,884**	**846,762**
Equity			
Issued capital	19	118,100	118,100
Hedge reserve	20	(52,337)	(62,733)
Retained earnings	21	901,121	791,395
Total equity		**966,884**	**846,762**

Notes to the financial statements are included on pages 52 to 79

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated			
	Issued Capital $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 July 2014	**118,100**	**(55,339)**	**721,619**	**784,380**
Profit for the year	-	-	255,193	255,193
Other comprehensive income:				
Changes in the fair value of cash flow hedges, net of income tax	-	(7,394)	-	(7,394)
Total comprehensive income for the year	**-**	**(7,394)**	**255,193**	**247,799**
Dividend paid	-	-	(185,417)	(185,417)
Balance as at 30 June 2015	**118,100**	**(62,733)**	**791,395**	**846,762**
Profit for the year	-	-	267,726	267,726
Other comprehensive income:				
Changes in the fair value of cash flow hedges, net of income tax	-	10,396	-	10,396
Total comprehensive income for the year	**-**	**10,396**	**267,726**	**278,122**
Dividend paid	-	-	(158,000)	(158,000)
Balance as at 30 June 2016	**118,100**	**(52,337)**	**901,121**	**966,884**

Notes to the financial statements are included on pages 52 to 79

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		920,132	828,297
Payments to suppliers and employees		(347,083)	(266,048)
Interest received		771	2,608
Interest paid		(182,684)	(175,603)
Income tax paid		(75,681)	(75,986)
Net cash provided by operating activities	25(b)	**315,455**	**313,268**
Cash flows from investing activities			
Payment for property, plant and equipment		(225,180)	(694,346)
Payment for investment property		(41,091)	(117,220)
Proceeds from sale of property, plant and equipment		1,909	24
Net cash used in investing activities		**(264,362)**	**(811,542)**
Cash flows from financing activities			
Proceeds from borrowings		415,000	723,550
Repayment of borrowings		(302,500)	(100,000)
Payment for debt issue costs		(1,850)	(9,599)
Dividend paid		(158,000)	(185,417)
Net cash (used in)/provided by financing activities		**(47,350)**	**428,534**
Net (decrease)/increase in cash		**3,743**	**(69,740)**
Cash and cash equivalents at the beginning of the period		**2,594**	**72,334**
Cash and cash equivalents at the end of the period	**25(a)**	**6,337**	**2,594**

Notes to the financial statements are included on pages 52 to 79

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

1. Summary of accounting policies

Statement of compliance

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

The financial statements were authorised for issue by the Directors on 25 August 2016.

Basis of preparation

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

Going concern

As at 30 June 2016, the Consolidated Entity has a deficiency in net current assets of $251,189,000 (2015: $362,658,000). Despite the deficiency in net current assets as at 30 June 2016, the Directors are of the view that the Consolidated Entity is a going concern due to the long history of profitability, unused finance facilities of $780,437,000 (2015: $822,580,000), forecast positive cash flows and the strong net asset position.

Rounding off of amounts

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

Significant accounting policies

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

a. Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (listed in Note 23) as at 30 June 2016 and the results of all subsidiaries for the year then ended. The accounting policies of the subsidiaries are consistent with the consolidated entity's accounting policies.

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

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

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

b. Cash

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

c. Inventories

Inventories are valued at the lower of cost and net realisable value.

d. Receivables

Trade receivables are recorded at amortised cost less provisions for impairment.

e. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

k. Investments
Investments in controlled entities are recorded at cost.

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

m. Borrowings
Borrowings are recorded at an amount equal to the net proceeds received. Borrowing costs are recognised on an accrual basis.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Ancillary costs incurred by the Consolidated Entity 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 historic exchange rates with movement in the spot rate reflected in the profit or loss statement to the extent the borrowings are unhedged and in the hedge reserve if the borrowings are effectively hedged.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

o. Superannuation
The Consolidated Entity makes contributions to accumulation funds on behalf of its employees. These contributions are expensed when incurred.

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

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

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

q. Revenue recognition
Aeronautical revenue
Revenue from landing fees and terminal charges is recognised on an accruals basis when the service is provided.

Security revenue
Revenue from provision of security services is recognised on an accruals basis when the service is provided.

Retail revenue
Retail revenue comprises revenue from car parking, ground transport and rental income from retail tenants, whose sale activities include duty free, food and beverage, banking and currency, advertising services and car rental. Revenue is recognised on an accruals basis when the service is provided.

Property revenue
Property revenue is split in two main areas. These are:

(i) Investment property revenue

Revenue from the investment property (as defined in Note 1(f)) throughout the airport is recognised on a straight line basis over the term of relevant lease agreements.

(ii) Other property revenue

Revenue from non-investment property is recognised on an accruals basis in accordance with terms of relevant lease agreements.

Outgoings/Recharge
Revenue received from recharging of outgoings and sundry other income is recognised on an accruals basis when the goods or services are provided.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the consolidated entity and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other income
Revenue received from sundry other income is recognised on an accruals basis when the goods or services are provided.

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

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

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

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

s. Derivative financial instruments
The consolidated entity enters into interest rate swaps and cross currency interest rate swaps. The swaps have been allocated against the underlying cross currency and interest rate exposure and to this extent modify the cross currency and interest rate risk of the underlying debt. The interest rate swaps and 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. The resulting gain or loss is recognised in profit or loss, unless the derivative is designated and effective as a hedging instrument, in which event, the timing of recognition in profit or loss depends on the nature of the hedge relationship. Further details of derivative financial instruments are disclosed in Note 26 to the financial statements.

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

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

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

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

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

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

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

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

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

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

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

The adoption of all new and revised Standards and Interpretations did not materially affect the amounts reported for the current or prior periods. In addition, the new and revised Standards and Interpretations have not had a material impact and not resulted in change to the Consolidated Entity's presentation of or disclosure in these financial statements.

The following standards and amendments applied for first time in the current period, having an effective date commencing on 1 July 2015:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 9 Financial Instruments (early adoption from 1 July 2015)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the group. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	**Nature of change**	**Impact**	**Mandatory application date / Date of adoption by the Consolidated Entity**
AASB 2015 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	In January 2015 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project.	There is no material impact on the Consolidated Entity on the disclosure requirements. Among the relevant changes to the Consolidated Entity include amendments to IFRS 7 Disclosure – Offsetting financial assets and financial liabilities and clarification to information disclosed elsewhere in the interim financial report for AASB 134 Interim financial reporting.	Mandatory for financial years commencing on or after 1 January 2016. To be adopted from 1 July 2018.
AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	In January 2015, the AASB made various amendments to AASB 101 as part of the Disclosure Initiative which explores how financial statement disclosures can be improved.	There is no material impact on the Consolidated Entity on the disclosure requirements. The amendments clarify guidance in AASB 101 on • materiality and aggregation, • presentation of subtotals, • structure of financial statements and • disclosure of accounting policies.	Mandatory for financial years commencing on or after 1 January 2016. To be adopted from 1 July 2018.
AASB 15 Revenue from contracts with customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (ie 1 January 2018) without restating the comparative period. The Consolidated Entity will only need to apply the new rules to contracts that are not completed as of the date of initial application.	ASIC is expecting companies to consider the impact of AASB 15 in preparing financial statements going forward. Management is currently assessing the impact of the new rules At this stage, the Consolidated Entity is not able to estimate the impact of the new rules on the Consolidated Entity's financial statements. The group will make more detailed assessments of the impact over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2018. To be adopted from 1 July 2018.
AASB 16 Leases	AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation of the asset and interest on the liability will be recognised. Early adoption is permitted under certain circumstances.	The Consolidated Entity has not yet completed its assessment of the impact of these new standards on the financial report.	Mandatory for financial years commencing on or after 1 January 2019. To be adopted from 1 July 2019.

w. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Fair value of investment property

The fair value of the investment property has been arrived at on the basis of a valuations carried out by an independent valuer. The value of investment property is measured on a fair value basis utilising the discounted cash flow approach, capitalisation approach and depreciated replacement cost where applicable, to represent the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on comparable market evidence relevant to each specific property or class of properties. These calculations require the use of assumptions, including discount rates, terminal yield and industrial and retail rental growth rates.

Impairment of goodwill

Determining whether goodwill is impaired requires an annual estimation of the value in use (or fair value less costs to dispose) of the cash generating units to which goodwill has been allocated. Fair value less cost to sell calculation is used by the Company and requires the Directors to estimate the future cash flows expected to arise from the cash generating unit and application of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating units, in order to calculate present value. These calculations require the use of assumptions and the application of sensitivity analysis where appropriate (see Note 9).

Where the present value of future cash flows of a cash generating unit are less than the carrying amount of those assets, an impairment loss may arise.

The carrying amount of goodwill at 30 June 2016 was $671,866,000 (2015: $671,866,000). There was no impairment loss.

Useful lives of property, plant and equipment

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

Fair value of derivative financial instruments

The fair value of derivative financial instruments is calculated using a discounted cash flow approach and using inputs based on observable market data. Where material, the credit risk associated with the derivatives is reflected in its calculation methodology. Judgement is used to determine whether the credit risk associated with the derivatives has changed materially over time based on market transactions and prices and, where this is the case, the credit factor is adjusted in the valuation calculation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 $'000	2015 $'000
2. Profit for the year		
Profit for the year has been derived after charging the following specific expenses:		
Employee benefits expense - superannuation contributions	3,562	4,437
Net bad debts and doubtful debts arising from other entities	59	39
Impairment of fixed assets	14,100	-
Borrowing costs:		
Interest:		
- Secured debt	184,874	182,901
- Interest capitalised during the period	(10,884)	(38,613)
- Unsecured debt	486	444
- Amortisation of deferred borrowing costs	4,423	4,495
Hedge reserve unwind	(3,682)	10,865
Other costs	267	700
Total borrowing costs	**175,484**	**160,792**
Depreciation of property, plant and equipment	148,484	106,194
Amortisation of master plan	515	460
Depreciation and amortisation	**148,999**	**106,654**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated 2016 $'000	2015 $'000
3. Income tax expense		
a. Income tax recognised in profit		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before income tax expense	**381,603**	**364,287**
Income tax expense calculated at 30%	114,481	109,286
Adjusted for:		
Non-deductible expenses	329	568
Non-deductible depreciation	62	62
Income tax expense in respect of prior years	(995)	-
Derecognition of deferred tax liabilities	-	(822)
Income tax expense	**113,877**	**109,094**
Income tax expense comprises of:		
Current tax expense	70,749	62,790
Deferred tax expense	44,123	47,126
Income tax expense in respect of prior years	(995)	-
Derecognition of deferred tax liabilities	-	(822)
Income tax expense	**113,877**	**109,094**

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

Entities within the tax consolidated group have entered into a tax sharing agreement with the head entity. Under the terms of this agreement, Australia Pacific Airports Corporation Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net profit or loss of the entity and the current tax rate.

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

b. Deferred tax balances

Taxable and deductible temporary differences arise from the following:

2015	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant & equipment	(227,306)	(65,140)	-	(292,446)
Investment property	(188,922)	18,488	-	(170,434)
Other	(3,560)	1,954	-	(1,606)
	(419,788)	**(44,698)**	**-**	**(464,486)**
Gross deferred tax assets:				
Provisions & accruals	5,235	(191)	-	5,044
Unearned income	3,039	(1,247)	-	1,792
Financial assets/liabilities	23,718	0	3,166	26,884
Other	106	(54)	-	52
	32,098	**(1,492)**	**3,166**	**33,772**
Net deferred tax liability	**(387,690)**	**(46,190)**	**3,166**	**(430,714)**

2016	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant & equipment	(292,446)	101,147	-	(191,299)
Investment property	(170,434)	(146,967)	-	(317,401)
Prepayments	-	(5,614)	-	(5,614)
Other	(1,606)	(44)	-	(1,650)
	(464,486)	**(51,478)**	**-**	**(515,964)**
Gross deferred tax assets:				
Provisions & accruals	5,044	6,935	-	11,979
Unearned income	1,792	205	-	1,997
Financial assets/liabilities	26,884	-	(1,687)	25,197
Other	52	508	(159)	401
	33,772	**7,648**	**(1,846)**	**39,574**
Net deferred tax liability	**(430,714)**	**(43,830)**	**(1,846)**	**(476,390)**

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred tax liability		
Balance at beginning of the year	430,714	387,690
Temporary differences	45,676	43,024
Balance at end of the year	**476,390**	**430,714**
c. Current tax receivable		
Income tax receivable	**6,688**	**3,663**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated 2016 $	2015 $
4. Remuneration of auditors		
Deloitte Touche Tohmatsu		
Auditing the financial report - statutory	231,900	242,625
Reviewing the half-year report	52,260	100,250
Auditing of regulatory accounts and compliance items	64,640	63,675
Other assurance services - EMTN Issue	-	112,300
	348,800	**518,850**
Non-Audit Services		
Tax compliance and other tax advice	**-**	**70,413**
	348,800	**589,263**

	2016 $	2015 $
5. Current receivables		
Trade receivables	82,013	68,532
GST receivable	-	59
	82,013	**68,591**

	2016 $	2015 $
6. Other assets		
Current		
Prepayments	4,527	2,188
Prepaid rebates	2,000	-
Cash on deposit for more than 3 months	1,428	1,428
Total current	**7,955**	**3,616**
Non-current		
Prepaid rebates	16,724	-
Total Non-current	**16,724**	**-**

	2016 $	2015 $
7. Accrued revenue		
Deferred operating lease income		
Balance at beginning of period	46,583	38,523
Accrual for the period	11,578	8,060
Balance at end of the period	**58,161**	**46,583**
- Current	13,785	7,569
- Non-current	44,376	39,014

	Consolidated					
	$'000 Leasehold land	$'000 Buildings	$'000 Roads, runways & other infrastructure	$'000 Plant and equipment	$'000 Assets under construction	$'000 Total
8. Property, plant & equipment						
Gross carrying amount						
Balance at 1 July 2015	**120,723**	**830,972**	**1,214,592**	**518,177**	**652,731**	**3,337,195**
Additions	-	-	-	-	205,265	**205,265**
Disposals	-	(3)	(290)	(5,169)	-	**(5,462)**
Impairment	-	-	-	-	(14,100)	**(14,100)**
Transfers to/(from) investment property	-	5,500	-	-	-	**5,500**
Transfers to/(from) assets under construction	2,293	314,492	202,768	161,170	(680,723)	**-**
Balance at 30 June 2016	**123,016**	**1,150,961**	**1,417,070**	**674,178**	**163,173**	**3,528,398**
Accumulated depreciation						
Balance at 1 July 2015	**11,726**	**232,572**	**277,232**	**264,305**	**-**	**785,835**
Depreciation expense	942	38,884	53,579	55,079	-	**148,484**
Disposals	-	(1)	(158)	(5,163)	-	**(5,322)**
Balance at 30 June 2016	**12,668**	**271,455**	**330,653**	**314,221**	**-**	**928,997**
Net book value as at 30 June 2016	**110,348**	**879,506**	**1,086,417**	**359,957**	**163,173**	**2,599,401**
Gross carrying amount						
Balance at 1 July 2014	**84,483**	**692,345**	**904,759**	**421,912**	**481,263**	**2,584,762**
Additions	-	-	-	-	716,378	**716,378**
Disposals	-	-	-	(185)	-	**(185)**
Transfers to/(from) investment property	36,240	-	-	-	-	**36,240**
Transfers to/(from) assets under construction	-	138,627	309,833	96,450	(544,910)	**-**
Balance at 30 June 2015	**120,723**	**830,972**	**1,214,592**	**518,177**	**652,731**	**3,337,195**
Accumulated depreciation						
Balance at 1 July 2014	**10,886**	**203,297**	**240,512**	**225,131**	**-**	**679,826**
Depreciation expense	840	29,275	36,720	39,359	-	**106,194**
Disposals	-	-	-	(185)	-	**(185)**
Balance at 30 June 2015	**11,726**	**232,572**	**277,232**	**264,305**	**-**	**785,835**
Net book value as at 30 June 2015	**108,997**	**598,400**	**937,360**	**253,872**	**652,731**	**2,551,360**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 $'000	2015 $'000
9. Investment property		
Balance at beginning of the year	1,222,434	1,076,388
Additions for the year	42,115	120,859
Transfer (to)/from property, plant and equipment	(5,500)	(36,240)
Net gain from fair value adjustments for the year	98,734	61,427
Balance at end of the year	**1,357,783**	**1,222,434**

The fair value of the investment property as at 30 June 2016 and 30 June 2015 has been arrived at on the basis of a valuation carried out by Mr. Peter Fay AAPI of the firm Jones Lang LaSalle. Mr. Fay is an independent valuer, a member of the Institute of Valuers of Australia and has appropriate qualifications and extensive experience of valuing property for the Consolidated Entity.

The value of investment property is measured on a fair value basis utilising the discounted cash flow approach, capitalization approach and depreciated replacement cost where applicable, to represent the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on comparable market evidence relevant to each specific property or class of properties. In assessing fair value, current and potential future income has been capitalised using yields derived from market evidence. The fair value measurement hierarchy used in calculating fair value has been classified as Level 3 on the basis that there are significant inputs that are not based on observable market data.

Unobservable inputs include:

- A discount rate ranging from 8.25% to 9.0%;
- A terminal yield taking into account management's experience and knowledge of market conditions ranging from 6.5% to 7.0%; and
- Industrial and retail rental growth rates, taking into account management's experience and knowledge of market conditions ranging from 2.49% to 3.0%.

The higher the discount rate and terminal yield the lower the fair value. The higher the current and potential future income or rental growth rate, the higher the fair value.

The Consolidated Entity has historically had a low level of void properties.

All outgoings in relation to investment properties are recoverable by the Consolidated Entity.

There has been no change to the valuation technique during the year. The Consolidated Entity reviews on an annual basis any material changes in the valuation techniques and market data inputs used.

The Consolidated Entity provided investment property (along with land and buildings in Note 8) as security for loans as disclosed in Note 16.

	Consolidated	
	2016 $'000	2015 $'000
10. Lease arrangements		
Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:		
Within one year	59,754	46,799
Later than one year but not later than 5 years	238,577	190,124
Later than 5 years	821,635	746,818
	1,119,966	**983,741**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated 2016 $'000	2015 $'000
11. Intangible assets		
Goodwill *(i)*	671,866	671,866
Masterplan *(ii)*	1,138	1,654
	673,004	**673,520**

Goodwill has been allocated for impairment testing to two cash generating units, being Melbourne and Launceston Airports. The carrying amount of goodwill was allocated to cash generating units as follows:

(i) Goodwill		
Melbourne Airport	667,700	667,700
Launceston Airport	4,166	4,166
	671,866	**671,866**

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

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

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

Dividends are expected to be fully franked and payout ratios are based on a range of factors including the achievement of credit metrics. Terminal value was calculated to cover the period from the twentieth year to 99th year (the government's lease period) based on a sustainable level of forecast distributions and a capitalisation amount based on a constant terminal growth rate of 2.5%.

Cash flows were discounted using a cost of equity as the cash flows are based on distributions to investors. In estimating individual components of the cost of equity, the Consolidated Entity has taken into account historical and related market data. A pre-tax discount rate in the range of 10.0% to 10.9% per annum was used (2015: 10.3% to 11.2%). The discounted cash flows are particularly sensitive to cost of equity, inflation and debt margins. Reasonable possible changes in these assumptions would not result in an impairment loss.

	Consolidated 2016 $'000	2015 $'000
(ii) Masterplan		
Gross carrying amount – at cost		
Balance at 1 July 2015	3,014	3,014
Additions	-	-
Balance at 30 June 2016	**3,014**	**3,014**
Accumulated amortisation		
Balance at 1 July 2015	(1,360)	(900)
Amortisation expense	(516)	(460)
Balance at 30 June 2016	**(1,876)**	**(1,360)**
Net book value at 30 June 2016	**1,138**	**1,654**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 $'000	**2015 $'000**
12. Financial assets		
Cross currency interest rate swap	**339,463**	**220,719**

	Consolidated	
	2016 $'000	**2015 $'000**
13. Current payables		
Trade payables (i)	68,361	101,453
GST payable	3,696	-
	72,057	**101,453**
Interest payable to:		
- Secured debt – bank *(iii)*	36,779	33,836
- Launceston City Council *(ii)*	187	240
- Unearned revenue	2,789	1,928
	39,755	**36,004**
	111,812	**137,457**

(i) The average credit period for purchases and services is 31 days. No interest is charged on trade payables.
(ii) The credit period for services for non trade payables to other related parties is up to 90 days. No interest is charged on non trade payables to other related parties.
(iii) Secured by a fixed and floating charge over the company's assets. There have been no defaults on loans payable during the current or prior years.

	Consolidated	
	2016 $'000	**2015 $'000**
14. Current borrowings		
Secured:		
Domestic bonds *(i)*		
Fixed rate notes (6.0% 15 December 2015) *(ii)*	-	100,000
Variable rate notes (15 December 2015) *(ii)*	-	200,000
Fixed rate notes (7.0% 25 August 2016)	250,000	-
Deferred borrowing costs	(50)	(225)
	249,950	**299,775**

(i) Secured by a fixed and floating charge over the Consolidated Entity's assets
(ii) Debt subject to credit wrapping by MBIA Inc

Financing facilities:		
Unsecured bank overdraft facility reviewed annually:		
• Amount used	-	-
• Amount unused	20,737	20,380

	Consolidated 2016 $'000	2015 $'000
15. Financial liabilities		
Current		
Interest rate swaps	1,004	5,651
Total Current	**1,004**	**5,651**
Non-Current		
Interest rate swaps	59,653	42,058
Cross currency interest rate swaps	6,272	18,790
Total Non-Current	**65,925**	**60,848**

	2016 $'000	2015 $'000
16. Non-current borrowings		
Secured:		
– Senior - bank debt *(i)*	300,300	257,800
– Domestic Bonds *(i)*		
Fixed rate notes (7.0% 25 August 2016)	-	250,000
Fixed rate notes (5.0% 4 June 2020)	225,000	225,000
Fixed rate notes (4.0% 15 September 2022)	250,000	-
Fixed rate notes (4.55% 11 November 2025)	120,000	-
– US Private Placements *(i)*		
Fixed rate notes US $200m (7.8% 15 September 2021) *(ii)*	191,077	191,077
Fixed rate notes US $200m (7.7% 15 September 2023) *(ii)*	191,077	191,077
Fixed rate notes US $200m (7.6% 15 September 2026) *(ii)*	191,077	191,077
Fixed rate notes (5.95% 15 January 2028)	50,000	50,000
Fixed rate notes (5.875% 15 November 2022) *(iii)*	125,000	125,000
– European bonds *(i)*		
Variable rate notes (26 September 2023) *(iv)*	784,929	784,929
Fixed rate notes (5.05% 15 October 2024) *(v)*	505,050	505,050
	2,933,510	**2,771,010**
Exchange rate fluctuation	283,733	216,069
Financial Liabilities valued at Fair Value through profit and loss	70,757	38,638
	3,288,000	**3,025,717**
Deferred borrowing costs	(24,020)	(26,417)
	3,263,980	**2,999,300**
Amortisation of borrowing costs, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Amortisation of deferred borrowing costs	4,423	4,495

(i) Secured by a fixed and floating charge over the entity's assets
(ii) Excludes cross currency swaps that convert the US private placement notes US $600m into AUD
(iii) Converted from floating to fixed rate note per agreement on 15 November 2014
(iv) Excludes cross currency swaps that converts the Euro note €550m into AUD
(v) Excludes cross currency swaps that converts the Euro note €350m into AUD

	2016 $'000	2015 $'000
Financing facilities:		
Bank Debt *(i)*		
• Amount used	300,300	257,800
• Amount unused	759,700	802,200

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 $'000	**2015 $'000**
17. Non-current payables		
Undistributed capital note liability	1,202	1,202

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

	Consolidated	
	2016 $'000	**2015 $'000**
18. Capitalised interest charges		
Property, plant and equipment	9,860	34,973
Investment property	1,024	3,640
	10,884	**38,613**

Weighted average capitalisation rate on funds borrowed during the year was 5.84% (2015: 6.58%)

	Consolidated	
	2016 $'000	**2015 $'000**
19. Issued capital		
118,100,000 Ordinary Shares – fully paid (2015: 118,100,000)	118,100	118,100

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

	Consolidated	
	2016 $'000	**2015 $'000**
20. Hedging reserve		
Balance at beginning of the year	(62,733)	(55,339)
Gain/(loss) recognised:		
- Fair value adjustment	18,533	(21,422)
- Deferred tax arising on cashflow hedges	(5,560)	6,423
- Transfer from hedge reserve to profit and loss	(3,682)	10,865
- Deferred tax arising from adjustment	1,105	(3,260)
	10,396	**(7,394)**
Balance at end of the year	**(52,337)**	**(62,733)**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated 2016 $'000	2015 $'000
21. Retained earnings		
Balance at beginning of the year	**791,395**	**721,619**
Profit for the year	267,726	255,193
Dividend paid	(158,000)	(185,417)
Balance at end of the year	**901,121**	**791,395**

	Consolidated 2016 $'000	2015 $'000
22. Commitments for expenditure		
Capital expenditure commitments		
Property, plant and equipment		
Not longer than 1 year	87,612	126,511
Longer than 1 year but not longer than 5 years	653	151
	88,265	**126,662**

23. Subsidiaries

Name of entity		Country of incorporation	Ownership interest 2016 %	2015 %
Parent entity				
Australia Pacific Airports Corporation Limited		Australia		
Subsidiaries				
APAC (Holdings No. 2) Pty. Limited		Australia	100	100
- Australia Pacific Airports (Melbourne) Pty. Limited		Australia	100	100
Australia Pacific Airports (Property) Pty. Limited	(i) (ii)	Australia	100	100
APAC (Holdings) Pty. Limited	(i)	Australia	100	100
- Australia Pacific Airports (Launceston) Pty. Limited	(i)	Australia	100	100

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

24. Related party disclosures

a. Equity interests in related parties
Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 22 to the financial statements.

b. Key management personnel compensation
The aggregate compensation of the key management personnel of the Consolidated Entity is set out below:

The key management personnel during the year were, Mr L. Strambi, Ms N. Lennie, Ms L. Evans, Ms C. Newsome, Mr L. Horton, Mr S. Gandy, Mr A. Gardiner, Ms S. Renner, Ms L. Argus, and Mr M. Jarvis.

	Consolidated	
	2016 $'000	**2015 $'000**
Short-term employee benefits	8,422,908	6,886,151
Long-term incentives	902,060	2,445,915
Terminations	724,000	888,000
	10,048,968	**10,220,066**

c. Transactions within the wholly-owned group
The ultimate parent entity in the wholly-owned group is Australia Pacific Airports Corporation Limited (APAC).

During the financial year APAC provided operational administration services at cost to other entities in the wholly-owned group of $302,635 (2015: $202,374), which were recorded against intercompany loans and eliminated on consolidation.

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

The ultimate parent entity in the wholly-owned group and the parent entity in the tax consolidated group is Australia Pacific Airports Corporation Limited.

d. Executory contracts
The remuneration of key management personnel includes final payments made to the previous Chief Executive Officer, Mr C. Woodruff in accordance with his employment contract. In addition to this, the Company is party to a consultancy arrangement with Mr C. Woodruff for the period 1 July 2015 to 30 June 2017. Any payments made to Mr C. Woodruff were in accordance with the provisions of this arrangement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 $'000	**2015 $'000**
25. Notes to the Statement of Cash Flows		
a. Reconciliation of cash		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	**6,337**	**2,594**
b. Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities:		
Profit for the year	**267,726**	**255,193**
Net profit on sale of non-current assets	(1,915)	(26)
Gain on investment property	(98,734)	(61,427)
Impairment of property, plant and equipment	14,100	-
Amortisation of deferred borrowing costs	4,423	4,495
Hedge reserve unwind	(3,682)	10,865
Capitalised interest	(10,884)	(38,613)
Depreciation and amortisation of non-current assets	148,999	106,655
Revenue reduction of lease premium	(11,578)	(8,161)
Deferred tax liabilities	41,221	46,190
(Increase)/decrease in assets:		
Current receivables	(9,728)	(10,746)
Other current assets	(4,340)	(378)
Tax receivable	(3,025)	(13,083)
Other non-current assets	(16,724)	-
Increase/(decrease) in liabilities:		
Current trade payables	(3,225)	17,797
Interest payable	2,943	8,440
Employee benefits provision	(805)	222
Unearned revenue	683	(4,155)
Net cash provided by operating activities	**315,455**	**313,268**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

26. Financial instruments

a. Capital risk management

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

The capital structure of the Consolidated Entity consists of debt, which includes the borrowings disclosed in Notes 14 and 16, cash and cash equivalents and equity attributable to equity holders of the Consolidated Entity, comprising issued capital, reserves and retained earnings as disclosed in Notes 19, 20 and 21 respectively.

The Consolidated Entity's overall strategy remains unchanged from 2015. During the financial year the Consolidated Entity has complied with all imposed capital requirements including bank covenants.

b. Significant accounting policies

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

c. Categories of financial instruments

	Consolidated	
	2016 $'000	2015 $'000
Financial Assets		
Cash at Bank	6,337	2,594
Loans and receivables:		
Trade receivables	82,013	68,532
GST receivable	-	59
Tax receivable	6,688	3,663
Cross currency interest rate swaps	339,463	220,719
	434,501	**295,567**
Financial Liabilities		
Amortised cost:		
Trade payables	68,361	101,453
GST payable	3,696	-
Interest payable	36,966	34,076
Current interest rate swaps	1,004	5,651
Other non-current non trade payables	3,868	4,045
Borrowings	3,513,930	3,299,075
Non-current payables	1,202	1,202
Non-current interest rate swaps	59,653	42,058
Cross currency interest rate swaps	6,272	18,790
	3,694,952	**3,506,350**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

d. Financial risk management objectives

The Consolidated Entity's corporate treasury function provides services to the business, co-ordinates access to domestic and financial markets, monitors and manages the financial risks relating to the operations of the Consolidated Entity through internal risk reports which analyses exposures by degree and magnitude of risk. These risks include market risk (including fair value interest rate risk), credit risk, liquidity risk and cashflow interest rate risk. The Consolidated Entity seeks to minimise the effects of interest rate risks, by using derivative financial instruments to hedge these exposures. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the Board of Directors through written policy on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments for financial purposes.

e. Interest rate risk management

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

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

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

f. Interest rate sensitivity

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

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

- Net profit would increase/decrease by $1,233,000 (2015: increase/decrease by $602,000). This is due to interest rates on its variable rate borrowings.
- Other equity reserves would increase/decrease by $13,245,000 (2015: increase/decrease $12,528,000) mainly as a result of the changes in fair value of fixed rate instruments available for sale.

The Consolidated Entity has no material interest revenue.

g. Cross currency sensitivity

Foreign currency exposures are predominantly hedged through a combination of fair value and cash flow hedges. The impact of foreign currency movements to the profit or loss and cash flow reserve, and sensitivity to such movements, is therefore not significant. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Consolidated Entity's other equity reserves would increase/decrease by $25,972,000 (2015: increase/decrease $2,421,000) mainly as a result of the changes in fair value of fixed rate instruments available for sale.

h. Interest rate swap contracts

Under interest rate derivative contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity 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.

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value of interest rate swaps	
	2016 %	2015 %	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Consolidated						
Less than 1 year	5.6	5.6	112,000	470,000	(1,004)	(5,651)
1 to 2 years	3.9	5.9	360,923	112,000	(752)	(4,847)
2 to 5 years	-	-	-	-	-	-
5 years +	6.7	6.7	324,000	324,000	(58,901)	(37,211)
			796,923	**906,000**	**(60,657)**	**(47,709)**

The fair value of these contracts as at 30 June 2016 is disclosed in Note 15.

i. Foreign currency risk management
The Consolidated Entity undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

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

Outstanding contracts	Average contracted fixed interest rate		Foreign currency		Notional principal amount		Fair value of cross currency interest rate swaps	
	2016	2015	2016 FC'000	2015 FC'000	2106 $'000	2015 $'000	2016 $'000	2105 $'000
USD 5 years +	0.7286	0.8367	600,000	600,000	573,231	573,231	192,868	149,127
EUR 5 years +	0.6562	0.6960	900,000	900,000	1,289,979	1,289979	140,323	52,802
			1,500,000	**1,500,000**	**1,863,210**	**1,863,210**	**331,191**	**201,929**

k. Liquidity risk
The following table details the Consolidated Entity's exposure to liquidity risk as at 30 June 2016.

2016	Weighted average effective interest rate %	1-3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial Assets						
Current receivables		82,013	-	-	-	82,013
Cash at bank		6,337	-	-	-	6,337
Tax receivable		6,688	-	-	-	6,688
Cross currency interest rate swaps		-	-	-	339,463	339,463
		95,038	-	-	**339,463**	**434,501**
Financial Liabilities						
Current trade payables		68,361	-	-	-	68,361
Interest payable		36,779	-	-	-	36,779
Bank loans	3.1	-	-	300,300	-	300,300
Domestic bonds						
– Fixed rate notes (25 August 2016)	7.0	250,000	-	-	-	250,000
– Fixed rate notes (4 June 2020)	5.0	-	-	225,000	-	225,000
US Private Placement:						
US $200m Due 15 Sep 2021 – fixed (i)	7.81	-	-	-	191,077	191,077
US $200m Due 15 Sep 2023 – fixed (i)	7.67	-	-	-	191,077	191,077
US $200m Due 15 Sep 2026 – fixed (i)	7.63	-	-	-	191,077	191,077
Fixed rate (15 January 2028)	5.95	-	-	-	50,000	50,000
Fixed rate (15 November 2022)	5.875	-	-	-	125,000	125,000
European Bonds:						
Variable rate notes (26 Sep 2023) (ii)	5.74	-	-	-	784,929	784,929
Fixed rate (15 October 2024) (iii)	5.05	-	-	-	505,050	505,050
Cross currency interest rate swaps		-	-	-	6,272	6,272
Interest rate swaps		1,004	-	752	58,901	60,657
		356,144	**-**	**526,052**	**2,103,383**	**2,985,579**

(i) Excludes cross currency swaps that convert the US private placement notes of US $600m into AUD $
(ii) Excludes cross currency swaps that convert Euro Note €550m into AUD
(iii) Excludes cross currency swaps that convert Euro Note €350m into AUD

The following table details the Consolidated Entity's exposure to liquidity risk as at 30 June 2015

2015	Weighted average effective interest rate %	1-3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Financial Assets						
Current receivables		68,591	-	-	-	68,591
Cash at bank		2,594	-	-	-	2,594
Tax receivable		3,663	-	-	-	3,663
Cross currency interest rate swaps		-	-	-	220,719	220,719
		74,848	**-**	**-**	**220,719**	**295,567**
Financial Liabilities						
Current trade payables		101,453	-	-	-	101,453
Interest payable		33,836	-	-	-	33,836
Bank loans	3.5	-	-	257,800	-	257,800
Domestic bonds						
– Fixed rate notes (15 December 2015)	6.0	-	100,000	-	-	100,000
– Variable rate notes (15 December 2015)	2.7	-	200,000	-	-	200,000
– Fixed rate notes (25 August 2016)	7.0	-	-	250,000	-	250,000
– Fixed rate notes (4 June 2020)	5.0	-	-	225,000	-	225,000
US Private Placement:						
US $200m Due 15 Sep 2021 – fixed (i)	7.8	-	-	-	191,077	191,077
US $200m Due 15 Sep 2023 – fixed (i)	7.7	-	-	-	191,077	191,077
US $200m Due 15 Sep 2026 – fixed (i)	7.6	-	-	-	191,077	191,077
Fixed rate (15 January 2028)	5.95	-	-	-	50,000	50,000
Fixed rate (15 November 2022)	5.875	-	-	-	125,000	125,000
European Bonds:						
Variable rate notes (26 Sep 2023) (ii)	5.74	-	-	-	784,929	784,929
Fixed rate (15 October 2024) (iii)	5.05	-	-	-	505,050	505,050
Cross currency interest rate swaps		-	-	-	18,790	18,790
Interest rate swaps		2,207	3,444	4,847	37,211	47,709
		137,496	**303,444**	**737,647**	**2,094,211**	**3,272,798**

(i) Excludes cross currency swaps that convert the US private placement notes of US $600m into AUD $
(ii) Excludes cross currency swaps that convert Euro Note €550m into AUD
(iii) Excludes cross currency swaps that convert Euro Note €350m into AUD

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

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

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

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

Financial liabilities	**Carrying amount $'000**		**Net fair value $'000**	
	2016	**2015**	**2016**	**2015**
Borrowings - other entities	1,202	1,202	9,670	7,890

The following tables present the Consolidated Entity's financial assets and liabilities measured and recognised at fair value at 30 June 2016. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

30-Jun-16	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Cross currency interest rate swaps	-	339,463	-	339,463
Total assets	**-**	**339,463**	**-**	**339,463**
Liabilities				
Interest rate swaps	-	60,657	-	60,657
Cross currency interest rate swaps	-	6,272	-	6,272
Total liabilities	**-**	**66,929**	**-**	**66,929**

There were no transfers between levels during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

o. Hedge accounting
Hedging refers to the way in which the Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity's major exposure to interest rate risk and foreign currency risk arises from its long-term borrowings.

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

Interest rate swap contracts: the Consolidated Entity agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity 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 Consolidated Entity agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the Consolidated Entity to mitigate the risk of adverse movements in foreign exchange rates.

The Consolidated Entity enters into the above derivative instruments to offset the risks arising from its long-term borrowings. To the extent permitted by AASB 9, the Consolidated Entity 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 Consolidated Entity 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.

During the current year the Consolidated Entity elected to early adopt AASB 9 'Financial Instruments' (AASB 9 (2010) as amended by AASB 2010-7, AASB 2012-6, AASB 2013-9). AASB 9 contains guidance on hedge accounting and classification & measurement that replaces the existing requirements of AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces changes to hedge effectiveness and eligibility requirements to align more closely with an entity's risk management framework. In addition, AASB 9 introduces new categories for classification of financial instruments. The changes in categories have not changed the classification of the Consolidated Entity's financial instruments. There has been no material impact on amounts reported in these financial statements as a result of the adoption of the standard, however application of this standard has resulted in additional disclosures which are incorporated in this Note.

q. Fair value hedges
The objective of the Consolidated Entity's fair value hedging is to convert fixed interest rate borrowings to floating interest rate borrowings.

The Consolidated Entity 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 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 Consolidated Entity's borrowing margin associated with cross-currency swaps ("foreign currency basis spread") to be deferred in equity. This component is included in interest on borrowings in the Profit or Loss over the remaining maturity of the borrowing.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	$'000 2016	2015
Fixed rate instruments		
Face value	784,929	784,929
FX adjustments	34,987	9,983
Cumulative fair value hedge adjustments	70,757	38,638
Carrying amount	890,673	833,550

r. Cash flow hedges
The objective of the Consolidated Entity'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.
The Consolidated Entity enters into interest rate swaps and cross-currency swaps as hedges of future cash flows arising from its borrowings. Ineffectiveness is recognised in the Profit or Loss if the change in the fair value of the hedging instrument exceeds the change in fair value of the underlying borrowing. The portion of fair value movement qualifying as effective movement is recognised in the cash flow hedge reserve in equity.
All of the Consolidated Entity's cash flow hedges are in effective hedge relationships on the basis that the critical terms of the hedging instrument and hedged item are aligned (including face values, cash flows and currency). During the year, there has been no material ineffectiveness attributable to the Consolidated Entity's cash flow hedges.

Balance Sheet

	Notional Amount of the Hedging Instrument	Carrying Amount of the Hedging Instrument		Line item of the Statement of Financial Position where the hedging instrument is located
		Assets	Liabilities	
2016				
Cross-currency swaps				
Fair value hedge	460,929	64,665	-	Financial assets
Cash flow hedge	1,863,210	274,798	6,272	Financial assets/Financial liabilities
Interest rate swaps	796,923	-	60,657	Financial liabilities
2015				
Cross-currency swaps				
Fair value hedge	460,929	33,526	-	Financial assets
Cash flow hedge	1,863,210	187,193	18,790	Financial assets/Financial liabilities
Interest rate swaps	706,000	-	47,709	Financial liabilities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Income Statement

	Cumulative changes in value of hedging instrument used for calculating hedge ineffectiveness Gain/(loss)	Cumulative changes in value of hedging item used for calculating hedge ineffectiveness Gain/(loss)	Cash flow hedge reserve at 30 June 2016 Gain/(loss)	Hedge ineffectiveness recognised in Income Statement Gain/(loss)	Line item of the Income Statement that includes hedge ineffectiveness
2016					
Cash flow hedges					
Interest rate and foreign exchange rate risk on cross currency swaps	268,628	302,069	(15,105)	-	N/A
Interest rate risk on floating rate borrowings	60,649	62,667	60,649	(882)	Borrowing costs

	Ineffectiveness recognised in Income Statement Gain/(loss)	Line item of the Income Statement that includes hedge ineffectiveness
Fair value hedges		
Interest rate risk	6,092	Borrowing costs

	Cumulative changes in value of hedging instrument used for calculating hedge ineffectiveness Gain/(loss)	Cumulative changes in value of hedging item used for calculating hedge ineffectiveness Gain/(loss)	Cash flow hedge reserve at 30 June 2015 Gain/(loss)	Hedge ineffectiveness recognised in Income Statement Gain/(loss)	Line item of the Income Statement that includes hedge ineffectiveness
2015					
Cash flow hedges					
Interest rate and foreign exchange rate risk on cross currency swaps	124,332	149,115	(47,687)	-	N/A
Interest rate risk on floating rate borrowings	3,649	3,652	3,649	(204)	Borrowing costs

	Ineffectiveness recognised in Income Statement Gain/(loss)	Line item of the Income Statement that includes hedge ineffectiveness
Fair value hedges		
Interest rate risk	5,112	Borrowing costs

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

Current Hedges	0 to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Transfer to profit and loss	7,974	6,949	20,541	16,873	52,337

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Consolidated 2016 $'000	2015 $'000
27. Dividends		
Fully franked dividend paid during the financial year (refer to Director's Report for details)	158,000	185,417
(2016: $1.34 per share, 2015: $1.54 per share)		
Franking account	42,556	33,922

	Consolidated 2016 $'000	2015 $'000
28. Company disclosures		
a. Financial position:		
Assets:		
Current assets	20,053	20,203
Non-current assets	127,407	127,411
Total assets	**147,460**	**147,614**
Liabilities:		
Current liabilities	-	-
Total liabilities	-	-
Net assets	**147,460**	**147,614**
Equity:		
Issued capital	118,100	118,100
Retained earnings	29,360	29,514
Total equity	**147,460**	**147,614**
b. Financial performance		
Profit for the year	158,000	185,417
Other comprehensive income	-	-
Total other comprehensive income	158,000	185,417
c. Non balance sheet commitments:		
Guarantees of debt	-	-
Contingent liablities	-	-
Commitments for the acquisition of property, plant and equipment by the parent company	-	-

29. Subsequent events

The Directors are proposing a final dividend for the year ending 30 June 2016 of $105,273,000 (89 cents per share) to be paid in October 2016.

30. Contingent liabilities

The Company did not have any contingent liabilities as at 30 June 2016.

31. Additional company information

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

Principal Registered Office and Principal Place of Business

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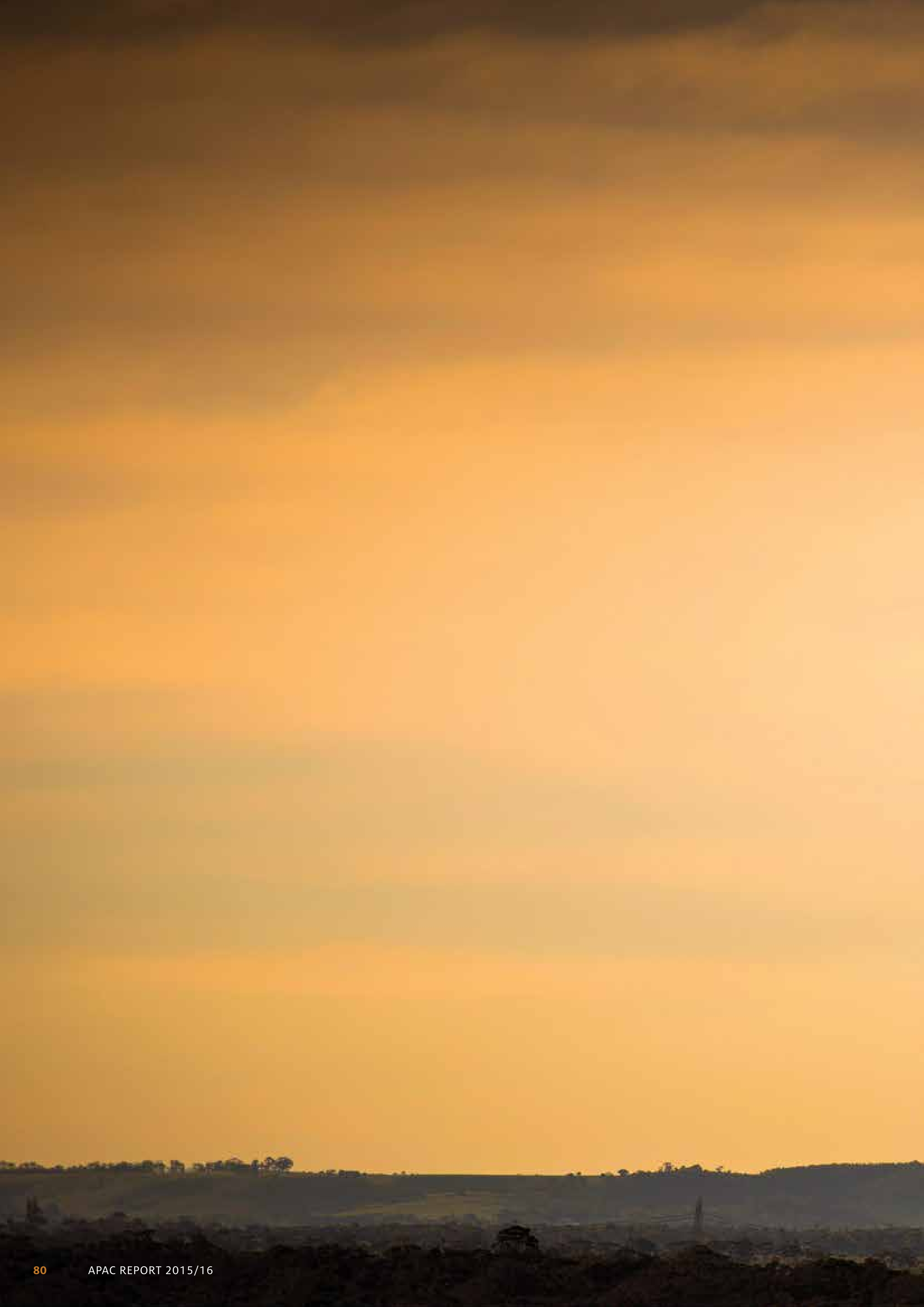

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