AUSTRALIA PACIFIC AIRPORTS CORPORATION

Annual Report 2014

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ABOUT APAC

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

OWNERSHIP

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

- AMP 28.54%
- IFM Investors 23.67%
- Deutsche Australia Ltd 19.97%
- Future Fund 19.12%
- Hastings Funds Management 8.70%

MELBOURNE AIRPORT

LAUNCESTON AIRPORT

Australia Pacific Airports

Purpose > To responsibly develop a growing and profitable airport group in the Asia Pacific region.

Vision > To be Australia's airport of choice by delivering a superior customer experience.

Objective > To be the most successful airport group in the Asia Pacific region.

Highlights

10%

Total revenue:
$713 million

12%

Operating profit:
$533 million

12%

Net profit:
$183 million

65%

Capital expenditure:
$421 million

4%

Melbourne passengers:
31.1 million

5%

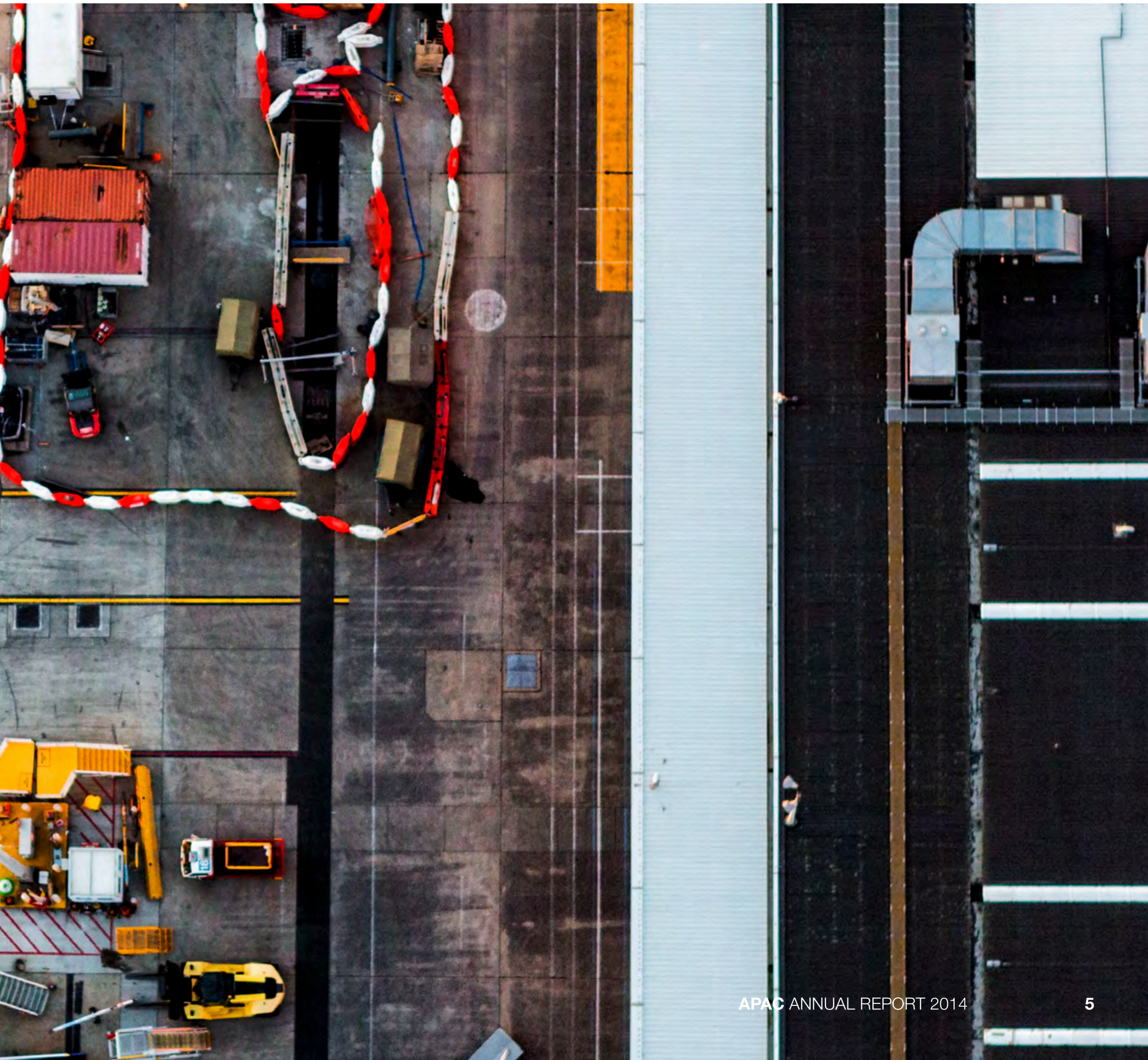
Launceston passengers:
1.3 million

10%

Melbourne international passengers:
7.8 million

10%

Melbourne international seat capacity

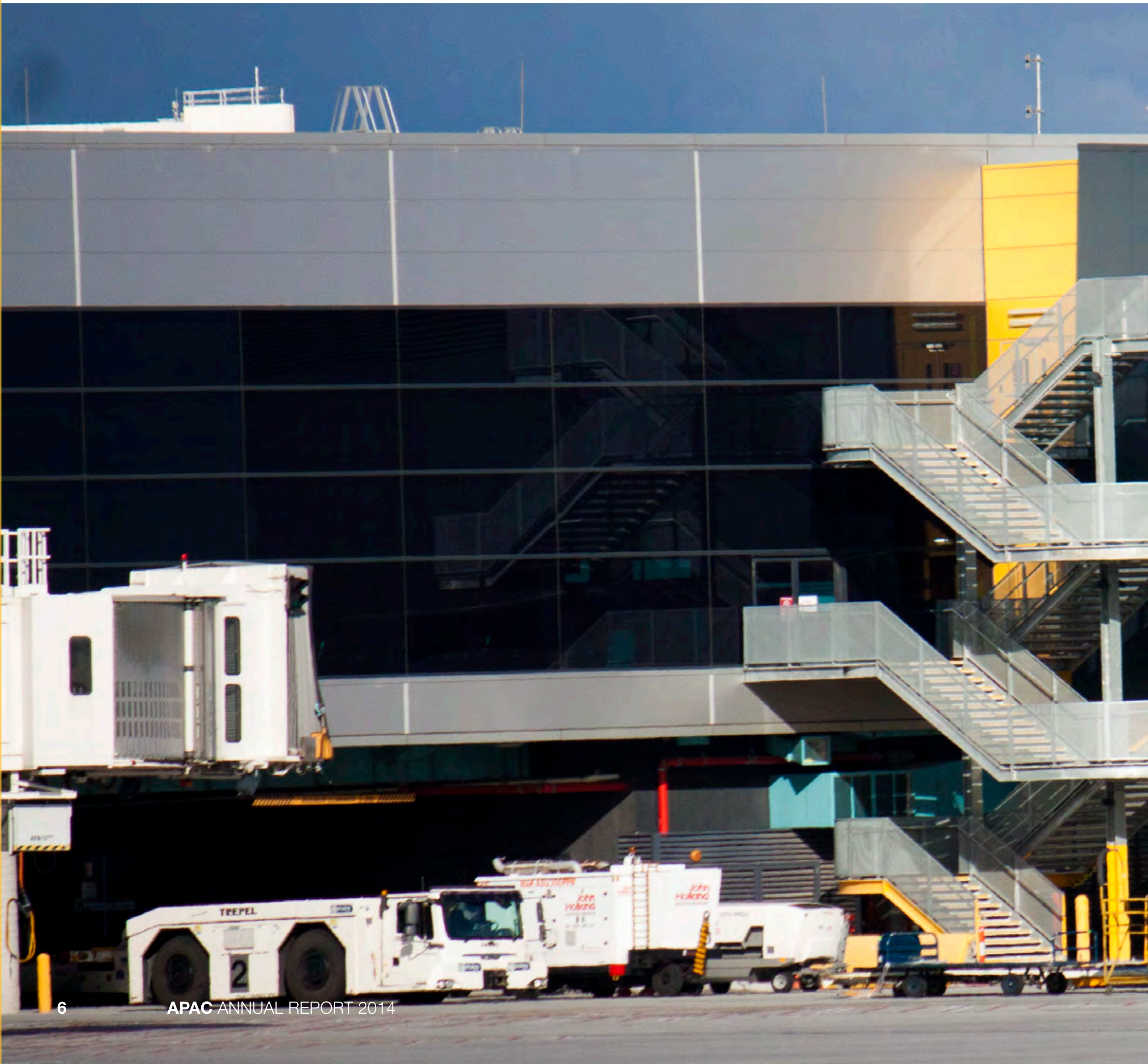


Milestones

Melbourne's 2013 **Master Plan** was **approved**

+20% annual growth for Singapore, Japan, Malaysia, Hong Kong and Taiwan

International **market share** increase to 24%



Melbourne – only major Australian airport to increase **air freight exports and imports**

$200 million – construction commenced in Melbourne's business park

Jetstar, Royal Brunei and Air India brought the **787 Dreamliner** to Melbourne

"An often overlooked fact about Australia's major airports is **the role of private investment** in supporting the delivery of significant transport infrastructure."

2014 has been another year of growth at both Melbourne and Launceston airports.

This growth is positive for Victoria and Tasmania as it brings the opportunities which come from being globally connected centres for business, tourism, education, culture and major events.

It also benefits the many Victorians and Tasmanians who rely on our airports for their livelihoods and economic well-being.

To facilitate future growth, we are transforming our airports physically and we are also transforming the way we do business.

In 2014 APAC invested $421 million across Melbourne and Launceston airports, the highest annual investment in our airports since privatisation in 1997.

For Melbourne the past 12 months has been a hive of construction activity with work underway on a new domestic terminal and transport interchange; significant road capacity improvements; upgrades to the international terminal; capacity expansions on our airfield and continuing growth of our business park.

For Launceston, upgrades are underway on the airport's airfield, roads and car parks.

An often overlooked fact about Australia's major airports is the role of private investment in supporting the delivery of significant transport infrastructure.

In particular, the superannuation and pension fund investments made on behalf of Australian workers which enables the transformation of Melbourne and Launceston airports.

These investments are delivering immediate benefits for Victorians and Tasmanians in the form of better airport infrastructure. The long term return on investment will support the quality of life of millions of Australian retirees.

APAC's transformation is not occurring in isolation.

APAC continues to rely on the support of State and Commonwealth Governments and the wider community.

APAC is also looking to the Commonwealth Government to create opportunities for new international air services.

International passengers at Melbourne grew strongly during the year and for this growth to continue it is vital that there is capacity in international air service agreements.

The Commonwealth Government is justly proud of its achievements in securing new free trade agreements during the year. We now need international air service agreements to be just as ambitious.

This has been an exciting year for APAC and I acknowledge the commitment of APAC's management and staff, and thank them, for taking up the challenge.

The coming years will also be exciting for APAC as we work towards transforming our airports for the future.

David Crawford AO

"Supporting a new corporate vision we introduced this year - **to be Australia's airport of choice by delivering a superior customer experience** - we have refocused and realigned our activities to ensure customers are at the centre of everything we do."

The aviation industry in 2014 was many things - captivating, challenging, compelling and also confronting.

It was also a reminder of the important role aviation plays in our daily lives, whether travelling for leisure, business or education.

Over the years, APAC's operations in Melbourne and Launceston have been integral to the growth of aviation in Australia.

We will continue to support future generations of air travellers and accordingly, we are transforming our airports to welcome more passengers, new airlines and new services.

In the 2013/14 financial year total passengers travelling through our airports increased to more than 32 million.

In Melbourne, driven by strong growth from Asia, international passengers grew by 10 per cent to 7.8 million.

Among the increased capacity and new services in 2014, Melbourne welcomed inaugural international flights from Air India and Aircalin, while Jetstar introduced the first direct service to Japan in more than five years.

2014 was the year of the Dreamliner. Air India, Royal Brunei and Jetstar all commenced services to Melbourne on the new 787 Dreamliner aircraft. In addition, Melbourne was selected as the first international destination for United Airlines' 787-9 Dreamliner, currently the longest model in the Dreamliner family.

With components of this ground breaking aircraft also manufactured in the state, Victoria is clearly Australia's home of the Dreamliner.

Melbourne's international passenger growth and curfew-free operations also cemented Victoria as Australia's largest air freight exporter. During the year, air freight exports increased by 3 per cent to make Melbourne the only major Australian airport to increase air freight exports as well as imports.

APAC's capital investment for 2013/14 reached a new record of $421 million, an increase of nearly 70 per cent. This private expenditure is facilitating APAC's transformation as well as creating more jobs for Victorians and Tasmanians.

In Launceston, a $6 million redevelopment project is underway and will deliver a new entrance and new undercover car parking facilities.

In Melbourne, the new Terminal 4 is taking shape. The 10 million passenger capacity terminal will become home to Jetstar, Tigerair and Regional Express. The terminal as well as the complementary transport hub is scheduled to open in the second half of 2015.

Melbourne's airfield is also being expanded with 21 new aircraft parking bays set to open as part of the new terminal development while the pavement on all taxiways is being replaced to maintain safety and reliability.

Improving road access to Melbourne remains key and works on major arterial roads including Airport Drive, Terminal Drive and the new elevated loop road, are increasing capacity and providing new links to wider Melbourne.

To that end, we welcomed the Government's commitment to widen the Tullamarine Freeway.

Melbourne Airport's business park is now one of the most sought after locations in Australia for freight and logistics warehouse developments.

During the year $64 million worth of projects were completed while another $200 million worth commenced, including two major distribution warehouse facilities.

We are also planning for the future.

Planning for Melbourne's runway development program, which includes a new third runway, is underway and will ensure capacity for the 64 million passengers forecast to pass through Melbourne Airport by 2033.

The transformation of our international terminal will become the centrepiece of Melbourne's physical and customer focused transformation.

Supporting a new corporate vision we introduced this year - to be Australia's airport of choice by delivering a superior customer experience - we have refocused and realigned our activities to ensure customers are at the centre of everything we do.

I would like to thank all of my team, our airline customers, suppliers, tenants and contractors for delivering another successful year for APAC.

Chris Woodruff

David Crawford AO

CHAIRMAN

APPOINTED 30 APRIL 2012

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

Chris Woodruff

MANAGING DIRECTOR

APPOINTED 31 AUGUST 2007

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

Kyle Mangini

DIRECTOR

APPOINTED 16 OCTOBER 2009

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

John Harvey

DIRECTOR

APPOINTED 2 MAY 2011
RESIGNED 15 FEBRUARY 2013
REAPPOINTED 25 MARCH 2013

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

Mar Beltran

DIRECTOR

APPOINTED 27 AUGUST 2012

Ms Beltran is a Portfolio Manager at AMP Capital.

Bryan Hynes

DIRECTOR

APPOINTED 21 JUNE 2013

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

Nadine Lennie

DIRECTOR

APPOINTED 20 JANUARY 2011

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

Nadir Maruf

DIRECTOR

APPOINTED 5 MARCH 2014

Mr Maruf is the Head of Alternatives and Real Assets for Asia Pacific and CEO for Asset Management Australia for RREEF Infrastructure.

Lisa Evans

GENERAL COUNSEL AND COMPANY SECRETARY

APPOINTED 27 APRIL 2009

Ms Evans is APAC's General Counsel.

Richard Hedley

DIRECTOR

RESIGNED 5 MARCH 2014

EXECUTIVE LEADERSHIP TEAM

Chris Woodruff

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Mr Woodruff joined APAC in 2007. Prior to APAC, Mr Woodruff held a number of senior management positions within BAA at Heathrow, Gatwick and Budapest airports.

Simon Gandy

EXECUTIVE AERONAUTICAL

Mr Gandy joined APAC in 2007 and has more than 24 years' aviation experience, including senior leadership roles with Heathrow and Gatwick airports.

Bryan Thompson

EXECUTIVE OPERATIONS

Mr Thompson joined APAC in 2010 and was previously responsible for strategy, planning and development. His prior experience includes roles with Mumbai International Airport and Johannesburg International Airport.

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.

Adam Watson

CHIEF FINANCIAL OFFICER AND EXECUTIVE STRATEGY AND FINANCE

Mr Watson joined APAC in 2012. Prior to his current role, Mr Watson held various senior roles with BlueScope Steel Limited and Spotless Group Limited.

Sarah Renner

EXECUTIVE PLANNING AND DEVELOPMENT

Ms Renner has been with APAC for more than 15 years and has broad aviation industry experience in operations, planning and retail.

Lisa Evans

EXECUTIVE GENERAL COUNSEL AND COMPANY SECRETARY

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

Colleen Newsome

EXECUTIVE BUSINESS SERVICES

Ms Newsome has been at APAC for 16 years and is responsible for organisational design, people capabilities, health, safety, business process, ICT and environmental performance.

Paul Hodgen

GENERAL MANAGER, LAUNCESTON AIRPORT

Mr Hodgen joined APAC in 2011 and has more than 36 years' aviation experience including roles with Jetstar Airways, British Midland Airways and British Airways.

Linc Horton

EXECUTIVE PROPERTY AND CONSTRUCTION

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

Andrew Gardiner

EXECUTIVE CUSTOMER

Mr Gardiner has had an extensive career in the retail industry both in Australia and abroad including a senior retail role at Sydney Airport.

Growing the business

The aviation industry is **captivating**, **compelling** and at times, **confronting**.

The 2013/14 year had all of those elements yet despite the challenges faced by the industry, Melbourne and Launceston airports **continued their growth trends** and **welcomed more passengers**, new airlines and new services.

GROWING CAPACITY

Melbourne

Key achievements include:

> Total passengers grew by four per cent to reach a record 31.1 million.

> International passengers reached 7.8 million following 10 per cent growth.

> China remains Melbourne's most important long haul market.

> The Asia Pacific region further drove international growth with Singapore, Japan, Malaysia, Hong Kong and Taiwan all growing by more than 20 per cent.

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

> More traditional markets such as the United States and United Kingdom also grew.

> Melbourne increased its international market share to 24 per cent.

> 25 international airlines delivered a ten per cent increase in international seat capacity.

> It was the year of the Dreamliner with Air India, Jetstar and Royal Brunei all commencing international services with the leading edge 787 Dreamliner aircraft.

> Jetstar and China Eastern celebrated 10 years of service at Melbourne.

> International airlines supported Melbourne with additional or increased services including:
- Aircalin commenced services to Melbourne.
- Jestar commenced the first non-stop service to Japan in more than five years as well as a new direct service to Phuket.
- Qantas, Singapore Airlines, Air Asia X, Malaysia Airlines, Etihad, China Eastern, Cathay Pacific and Qatar Airways all increased services or capacity.

> Domestic passengers grew by four per cent.

Launceston

Key achievements include:

> Total passengers grew by five per cent to reach a record 1.28 million.

> Passengers in January 2014 reached a monthly record of 134,000.

> A new marketing campaign was introduced in conjunction with Emirates to support their A380 services and one-stop connections to Launceston via Melbourne.

APAC is **transforming** its operations in Melbourne and Launceston with a **$421 million capital investment program** that is **shaping the future** of airports, as well as Victoria and northern Tasmania.

GROWING INFRASTRUCTURE

Key projects completed or commenced during the 2013/14 year include:

> **New domestic terminal** – Melbourne's new Terminal 4 will be Australia's most advanced domestic terminal incorporating leading edge technology and providing world class facilities that will provide passengers with an efficient yet welcoming experience. The 20,000 square metre terminal will be the new home for Jetstar, Tigerair and Regional Express.

> **Transport hub** – complementing the new domestic terminal, the transport hub will provide passengers and visitors with a safe and efficient pick-up and drop-off area. It will also provide a conveniently located car park with easy access to the new domestic terminal.

> **Southern apron expansion** – expansion of the southern part of the airfield will provide 21 new aircraft parking bays to complement the new domestic terminal.

> **Foxtrot apron infill project** – successfully completed in December 2013, the 30,000 square metres of new apron provides parking for up to four additional aircraft.

> **Airline lounge expansion** – as Melbourne's international passengers grow, the need to expand airline lounges and transit passenger facilities becomes a priority. In response to the growth of international low cost carriers, Melbourne is also expanding its international busing facilities.

> **Tri-generation** – due to commence operations in 2015, the tri-generation plant will meet the growing demands for power at Melbourne as well as provide a more stable and reliable supply for Melbourne Airport's heating, cooling and electricity.

> **Taxiway slab replacement program** – the five year project to replace all the concrete on Melbourne's taxiways is on schedule to be completed in 2016. To minimise disruptions to daily operations, rapid set concrete is being used which means a fully laden aircraft can use the taxiways just six hours after the concrete is poured.

> **Ring & Ride wait zone** – completed on time and on budget in December 2013, the wait zone provides a safe and free area for people to wait for arriving passengers.

> **Airport Drive** – construction commenced on extending and expanding Airport Drive which will become the second major entry point to Melbourne Airport when it's completed in mid-2015. The new Airport Drive will also have capacity for twin rail tracks in the centre.

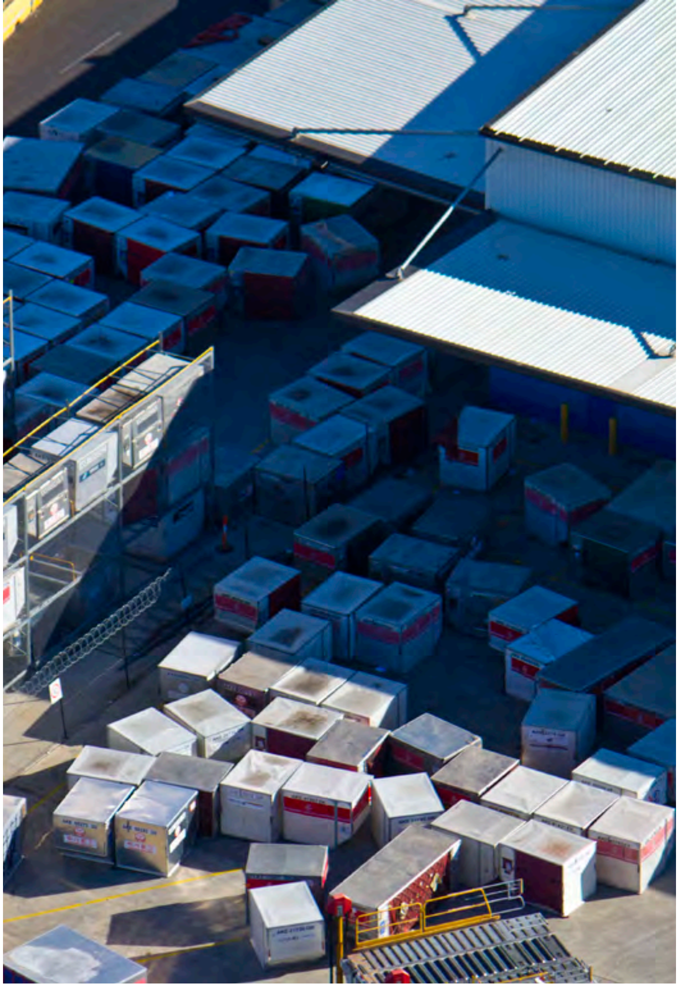
> **Melrose Drive** – expansion of the key arterial to the new domestic terminal is on schedule to open prior to the new domestic terminal in 2015.

> **Elevated loop road** – the first phase of Melbourne's long term road solution is under construction as part of the transport hub and will open in 2015. Planning for the second phase, which will complement redevelopment of the main terminal forecourt area and international terminal, is underway.

> **Terminal Drive** – completed in December 2013, the new four lane main entrance to Melbourne Airport delivers double the capacity and has significantly reduced traffic congestion, particularly during peak periods.

> **Launceston's car park and road project** – construction is progressing well on the $6 million project that will create a safer and more efficient entrance to Launceston Airport. The redeveloped car park will also provide undercover parking, the first at Launceston Airport.

> **Launceston's airfield upgrade** – in response to increasing demand, upgrades to the airfield include installation of a precision approach path indicator (PAPI) system and runway guard lighting.



Business Park

In 2014, the growth of Melbourne's business park surpassed the records set last year.

As one of the most sought after locations in Australia for freight and logistics developments, there was more than $200 million worth of development commenced during the year. This included:

> **Toll IPEC** – construction commenced on what will become Australia's largest new freight sorting facility. The new 71,000 square metre warehouse will be completed in 2016.

> **TNT** – the approximately 38,000 square metre leading edge parcel sorting facility will be the largest in TNT's global network. Due for completion in 2016, the new facility will also be the company's Victorian headquarters.

> **Quest self-serviced apartment hotel** – Quest's newest hotel apartments opened in October and offers 91 keys to serve the growing demand for accommodation within Melbourne's airport precinct.

Freight

Melbourne's air freight exports grew by 3 per cent to reach 37 per cent ensuring Melbourne remained Australia's largest air freight exporter.

Melbourne was the only major Australian airport to increase both air freight exports as well as imports.

Melbourne's freight growth is supported by its curfew free status which provides exporters from Victoria and eastern Australia opportunities to deliver time sensitive products such as fresh produce and gourmet food products to market the day after they leave Australia.

Planning for the future

Melbourne's 2013 Master Plan was approved by the Federal Government in December 2013.

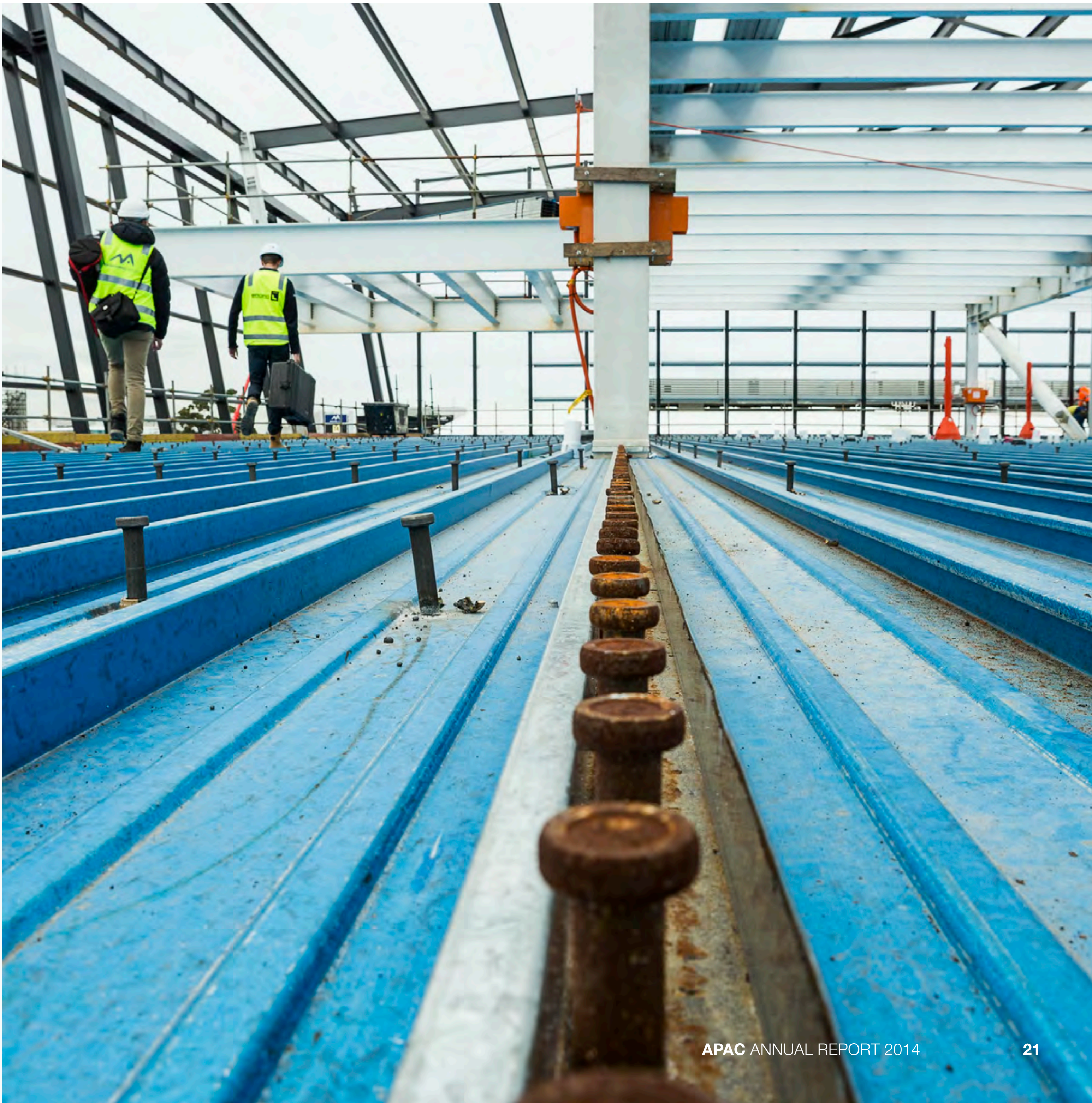
This followed an extensive approval and consultation program that included 32 public meetings and information sessions, and over 100 briefings.

Launceston's 2015 Master Plan is progressing well and is on scheduled for submission to the Federal Government for approval in 2015.

Planning has now commenced on Melbourne's runway development program (RDP) which includes the construction of a new runway and extension of the existing east-west runway.

A major development plan (MDP) is required for the RDP and is proposed for submission to the Federal Government in 2016.

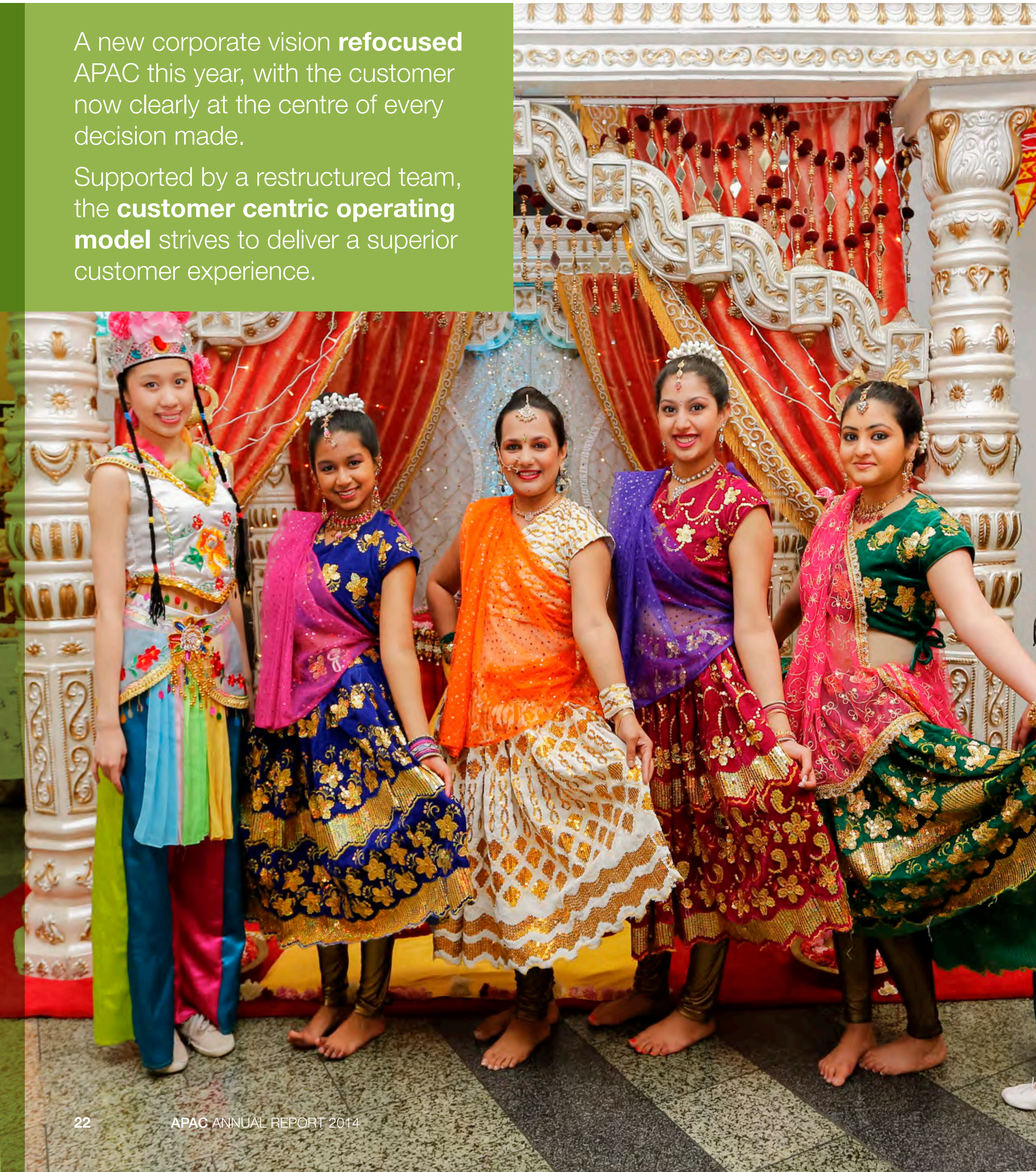
Technical studies, including economic, environment and social, are underway to inform the major development plan.



Customer service

A new corporate vision **refocused** APAC this year, with the customer now clearly at the centre of every decision made.

Supported by a restructured team, the **customer centric operating model** strives to deliver a superior customer experience.



Customer service

Highlights for the 2013/14 year include:

> Melbourne was recertified to the International Customer Service standard 2010-14.

> New customer service feedback systems installed at Melbourne and Launceston airports now provide real time feedback regarding wait times, crowding and security screening which allows staff to respond and improve the overall customer experience.

> Melbourne continued to celebrate Victoria's diversity by observing key cultural holidays including Diwali, Chinese New Year and Australia Day.

> Melbourne held its second annual customer service awards to recognise those contractors and service providers who demonstrated outstanding customer service.

> Launceston Airport took over as the official passenger screening authority. New passenger processing equipment was installed to improve screening efficiency.

> Launceston introduced a new customer service charter across its precinct to ensure continuity of service for all customers.

> Launceston supported local tourism campaigns by actively celebrating major cultural and sporting events.

Focus on growth markets

Highlights for the 2013/14 year include:

- China remains a critical market however Asia Pacific as a whole is now driving growth of Melbourne's international passengers.
- Continuing growth from Asia Pacific is also driving Melbourne's progression from 'Asia ready' to 'Asia friendly'.
- Aimed at the growth Asian markets, Melbourne became the first Australian airport to launch Travelmate by Ozlook, allowing passengers to have easy access to wi-fi throughout Australia.
- Public announcements are now made in Mandarin at the international departures screening point to provide real time flight information and advice to passengers on security and immigration procedures.
- Cultural awareness programs for APAC staff and airport retailers have been expanded to more staff and include advice on Indian culture.

Quality of service monitoring

Highlights for the 2013/14 year include:

- Melbourne retained its accreditation to the international market research standard ISO 20252.
- Throughout an ongoing and intensive capital investment program at Melbourne, overall customer satisfaction improved to 4.2 out of 5.
- The overall experience at Melbourne's international departures and arrivals increased to 4.20 and 4.35 out of 5 respectively.
- More than 10,000 passengers were interviewed at Melbourne in terminals 2, 3 and 4 during the year for quality of service monitoring.

Digital and technology

Highlights for the 2013/14 year include:

> APAC is changing the way technology is integrated and implemented to better support customers and their online experience.

> Online bookings for car parks at Melbourne grew, now accounting for more than a quarter of all car park transactions.

> There was record utilisation across Melbourne's website, social media channels, email marketing and Melbourne Airport app during the year.

> As the volume and utilisation of digital data grows, APAC enhanced its cyber security and governance processes.

Our reputation

Earning and **maintaining the trust** of key stakeholders is vital to ensure the success of APAC's ongoing operations.

Stakeholder, government and community engagement

> **Stakeholder audit** - the scope of Melbourne's annual stakeholder audit was expanded to include Victorian businesses, the local community and airport precinct employees, achieving an overall reputation rating of 77.6.

> **Community consultation** - Melbourne and Launceston airports continued to host their regular Community Aviation and Consultation Group (CACG) meetings. In Melbourne particularly the meetings have become an important channel to discuss upcoming projects, such as the runway development program, with the community.

> **Stakeholder engagement** - Melbourne continued to work with government, business and key industry stakeholders through the Noise Abatement Committee, the Transport Committee, the Planning Coordination Forum and the Business Partners Forum.

> **Government engagement** - APAC continues to engage with all levels of government to further improve planning, operations and services in and around Melbourne and Launceston airports.

Environment

> APAC is actively working towards becoming more sustainable with sustainable practices now integrated throughout the design, delivery and maintenance of all developments and operations at Melbourne and Launceston.

> Melbourne successfully retained its Environmental Management System (ISO14001) certification with zero non-compliances recorded.

> Melbourne's new tri-generation plant, currently under construction, will be run on natural gas and when in use, will reduce carbon emission output by approximately a third every year.

> As part of Melbourne's Airport Drive extension, a new storm water system will improve storm water quality of Steele Creek North as well as increase storm water harvesting for future use of recycled water. Potable water demand within the airport precinct will also be reduced by more than 127 million millilitres a year.

> Due for completion in mid-2015, work on revitalising Melbourne's Maribyrnong River, the largest collaborative environmental project in Victoria, is progressing well.

> APAC continued its association with Climate Friendly by offsetting all staff vehicles and flights.

Supporting our communities

APAC is a proud member of its local communities and actively supports organisations which improve the well-being and prosperity of its communities.

- > **Conservation Volunteers** – Melbourne's support for the 'Healthy Habitats' program at Woodlands Historic Park has helped to more than double the Eastern Barred Bandicoot's population during the year.
- > **Western Chances** – with the assistance of Melbourne Airport, more than 50 scholarships supported talented youth from Melbourne's west.
- > **Salvation Army** – more than 500 individuals and families received food relief and educational assistance through Melbourne's Salvation Army and their Jacana Centre and Asylum Seeker Support Service.
- > **Western Bulldogs Football Club** – Melbourne's sponsorship of the club's 'Fresh' program supported 38 students in their high school studies, with 11 completing the Victorian Certificate of Applied Learning.
- > **Essendon Football Club** – Melbourne's support saw more than 40 young football players and 100 adults attend Essendon Football Club's Junior Talent Camps and Coaching Master Classes.
- > **Junction Arts Festival** – Launceston was the national winner of the 2014 National Creative Partnerships Regional Award recognising the airport's partnership with the Junction Arts Festival and its ongoing support of northern Tasmania's youth.
- > **Glover Art Prize** – Launceston celebrated 10 years support for the prestigious Glover Art Prize.

Safety and security

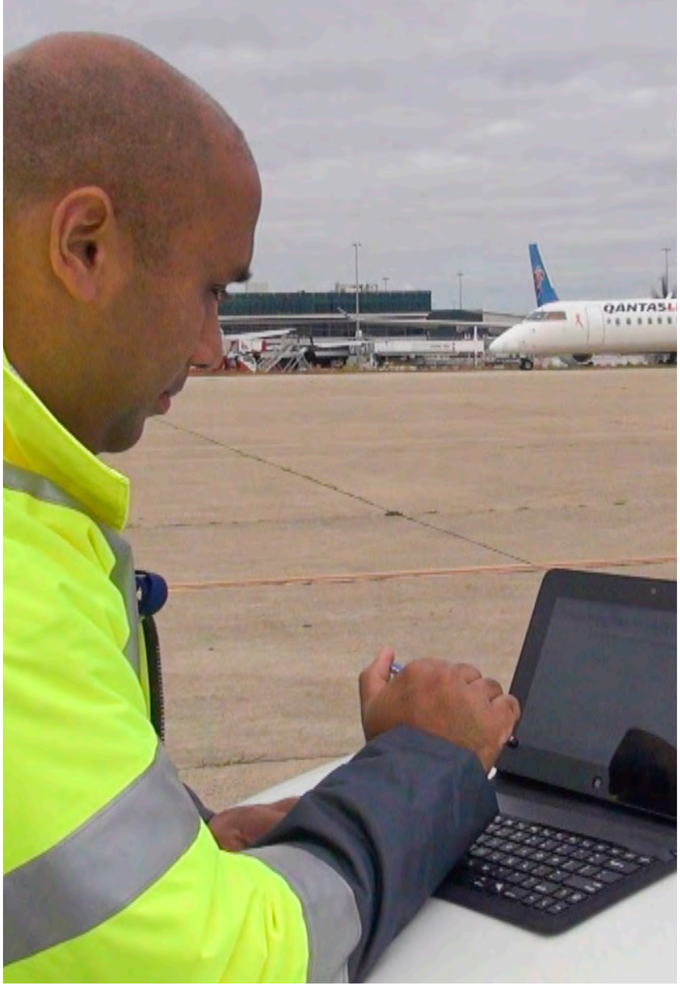
> APAC successfully delivered on its priority to provide safe and secure airports with all regulatory requirements fulfilled and no major security incidents through the year.

> Despite significantly more construction activity, Melbourne's lost time injury frequency rate was reduced by 1.15 to 5.2.

> APAC will continue to work with the Australian Federal Police and security partners to deliver secure airport precincts in the current heightened security environment.

Our team

A new customer centric organisational structure was introduced to support APAC's corporate vision. Putting the **customer at the centre** of everything APAC does also applies to the organisation's staff as well as its passengers.



Our team

> APAC's operations were supported by 315 staff.

> Participation in the annual employee survey rose to 82 per cent.

> Now in its second year, the employee recognition program 'The Aviators' acknowledges staff who display behaviours aligned to APAC's values.

> The health and well-being of APAC staff is supported by a program of information, advice and activities including yoga classes and influenza vaccines.

> Ensuring staff have the right tools, Melbourne's airfield and service monitoring teams introduced tablets to improve accuracy and reliability of information gathered through directly entering data.

> Melbourne continued to invest in its people with a corporate training program to deliver on strategic objectives as well as tailored development programs.

FINANCIAL RESULTS SUMMARY 2014 for the financial year ended 30 June 2014

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**	**%** change
FINANCIAL RESULTS - APAC												
Areonautical	126	144	149	162	192	202	218	237	248	285	315	10%
Retail	106	123	138	158	187	196	218	239	248	257	273	6%
Property & rental	52	54	59	62	69	77	80	83	91	105	115	10%
Security & Other	2	2	2	2	1	1	2	2	2	2	10	-400%
TOTAL REVENUE	**286**	**323**	**348**	**384**	**449**	**476**	**518**	**561**	**589**	**649**	**713**	**10%**
Operating expenses	83	93	102	114	115	124	131	138	152	172	180	4%
Operating profit	**203**	**230**	**246**	**270**	**334**	**352**	**387**	**423**	**437**	**477**	**533**	**12%**
Investment property gains	0	0	91	77	22	(33)	11	59	17	44	-27	-162%
Profit before borrowing costs, depreciation and	**203**	**230**	**337**	**347**	**356**	**319**	**398**	**432**	**454**	**521**	**506**	**-3%**
Depreciation and amortisation	45	38	34	37	39	46	53	65	75	84	90	10%
Interest	90	80	80	84	90	96	115	126	136	141	155	10%
Profit / (loss) before tax	**68**	**112**	**223**	**226**	**227**	**177**	**230**	**291**	**243**	**296**	**261**	**-12%**
Tax expense / (benefit)	27	33	67	68	68	53	69	88	73	89	78	-12%
Net profit / (loss)	**41**	**79**	**156**	**158**	**159**	**124**	**161**	**203**	**170**	**207**	**183**	**-12%**
CAPITAL EXPENDITURE - PROPERTY, PLANT AND EQUIPMENT & INVESTMENT PROPERTY												
Melbourne	38	108	77	89	128	201	156	147	205	249	417	67%
Launceston	0	1	1	1	4	16	5	4	4	5	4	-20%
TOTAL	**39**	**108**	**78**	**90**	**132**	**217**	**161**	**151**	**209**	**254**	**421**	**65%**
PASSENGER VOLUMES												
Melbourne Airport												
International	4	4	4	5	5	5	6	6	7	7	8	**10%**
Domestic	15	16	17	18	19	20	21	22	21	23	23	2%
Total (excluding transit passengers)	**19**	**21**	**21**	**22**	**24**	**25**	**26**	**28**	**28**	**30**	**31**	**4%**
Transit passengers	0	0	0	0	0	0	0	0	0	0	0	**0%**
Total (including transit passengers)	**19**	**21**	**21**	**23**	**24**	**25**	**26**	**28**	**28**	**30**	**31**	**4%**
Launceston Airport												
Domestic	**0.67**	**0.82**	**0.92**	**0.99**	**1.10**	**1.11**	**1.12**	**1.15**	**1.13**	**1.22**	**1.28**	**5%**
AIRCRAFT MOVEMENTS (THOUSANDS)												
Melbourne Airport												
International	24	28	25	24	25	27	30	33	35	36	39	11%
Domestic	140	151	153	155	167	166	165	172	171	181	178	2%
General aviation	1	1	1	1	2	1	1	1	1	1	8	-4%
TOTAL	**165**	**181**	**179**	**180**	**194**	**194**	**196**	**206**	**207**	**218**	**225**	**4%**
Launceston Airport												
Domestic	8	9	10	10	11	11	11	11	11	12	13	5%
General aviation	7	6	6	5	6	6	7	7	6	6	5	-22%
TOTAL	**15**	**15**	**15**	**15**	**17**	**17**	**17**	**18**	**17**	**18**	**17**	**-4%**

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

** rounded figures are based on actual figures*

STATEMENT OF PROFIT AND LOSS for the financial year ended 30 June 2014

	Consolidated	
	2014 $'000	2013 $'000
OPERATING REVENUE		
Aeronautical revenues	314,608	285,377
Retail revenues	273,145	256,812
Property revenues	114,771	104,454
Interest and other revenues	9,953	1,980
Total operating revenue	**712,477**	**648,623**
Non-operating revenue	107	100
Revenue from ordinary activities	**712,584**	**648,723**
Less: operating costs		
Staff costs	40,415	36,800
Service and utilities	101,090	95,080
Maintenance costs	19,379	18,455
Administration, marketing and other	18,824	21,446
Operating profit	**532,876**	**476,942**
Add:		
Change in fair value of investment property	(27,077)	43,871
Profit before borrowing costs, depreciation and amortisation	**505,799**	**520,813**
Less:		
Depreciation and amortisation	90,275	84,054
Borrowing costs	154,880	141,364
Profit before income tax expense	**260,644**	**295,395**
Less:		
Income tax expense	78,448	88,855
Profit for the year	**182,196**	**206,540**
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of cash flow hedges, net of income tax	(48,992)	69,752
Profit for the year attributable to the owners of the Company	182,196	206,540
Total comprehensive income attributable to the owners of the Company	133,204	276,292

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

STATEMENT OF FINANCIAL POSITION for the financial year ended 30 June 2014

	Consolidated	
	2014 $'000	2013 $'000
CURRENT ASSETS		
Cash at bank	73,762	3,854
Inventories	152	184
Receivables	57,865	43,365
Other current assets	1,814	266
Total current assets	**133,593**	**47,669**
NON-CURRENT ASSETS		
Property, plant and equipment	1,904,936	1,545,508
Investment property	1,076,388	1,085,917
Intangible assets	673,878	673,638
Financial assets	67,702	43,431
Other non-current assets	38,523	32,049
Total non-current assets	**3,761,427**	**3,380,543**
Total assets	**3,895,020**	**3,428,212**
CURRENT LIABILITIES		
Borrowings	99,300	-
Payables	128,055	87,672
Current tax liabilities	9,421	19,132
Provisions	5,445	5,592
Financial liabilities	1,325	8,018
Total current liabilities	**243,546**	**120,414**
NON-CURRENT LIABILITIES		
Borrowings	2,402,905	2,025,173
Payables	1,202	1,202
Deferred tax liabilities	394,233	401,940
Provisions	1,815	1,520
Financial liabilities	47,344	39,407
Other liabilities	4,332	4,415
Total non-current liabilities	**2,851,831**	**2,473,657**
Total liabilities	**3,095,377**	**2,594,071**
Net assets	**799,643**	**834,141**
EQUITY		
Issued capital	118,100	118,100
Reserves	(40,072)	8,920
Retained earnings	721,615	707,121
Total equity	**799,643**	**834,141**

(i) Adjusted consolidated statement of financial performance (Refer note 1(g))

STATEMENT OF CASH FLOWS for the financial year ended 30 June 2014

	Consolidated Inflows (Outflows)	
	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	758,861	695,591
Payments to suppliers and employees	(246,161)	(233,694)
Income tax paid	(74,871)	(60,531)
Interest received	6,485	468
Interest paid	(164,742)	(146,553)
Net cash provided by operating activities	**279,572**	**255,281**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(402,493)	(205,017)
Proceeds from sale of property, plant and equipment	142	101
Payment for investment property	(17,548)	(49,369)
Payment for intangible assets	(701)	(2,211)
Net cash used in investing activities	**(420,600)**	**(256,496)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	785,729	578,000
Repayment of borrowings	(390,000)	(425,000)
Payment for debt issue costs	(17,091)	(2,526)
Dividend paid	(167,702)	(148,452)
Net cash provided by / financing activities	**210,936**	**2,022**
Net increase in cash held	**69,908**	**807**
Cash at the beginning of the financial year	**3,854**	**3,047**
Cash at the end of the financial year	**73,762**	**3,854**

SUMMARY OF KEY NOTES TO FINANCIAL INFORMATION

for the financial year ended 30 June 2014

1. SUMMARY OF KEY ACCOUNTING POLICIES

Statement of compliance

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

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

The financial statements were authorised for issue by the directors on 28 August 2014 and can be obtained from the website listed in Note 27.

Basis of preparation

The financial report has been prepared on the basis of historical cost except investment property and derivative financial instruments. Historical cost is generally based on the fair values of the considerations given in exchange for assets. Unless otherwise indicated all amounts are presented in Australian dollars.

Going concern

As at 30 June 2014, the Consolidated Entity has a deficiency in net current assets of $109,953,000 (2013: $72,745,000). Despite the deficiency in net current assets as at 30 June 2014, 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 $1,139,200,000 (2013: $486,500,000), forecast positive cash flows and the strong net asset position.

As at 30 June 2014, the Company has net current assets of $20,180,000 (2013: $20,135,000).

Rounding off of amounts

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

Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (listed in note 24) as at 30 June 2014 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 group 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) 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 recognized in profit or loss.

(c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Tax consolidation

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

(d) 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 inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(e) 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.

(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) Adjustment of Asset Lease Premium and Property Revenue

Management undertook a detailed assessment of all material historical operating leases during the financial year ended 30 June 2014 to ensure they complied with AASB 117 Leases. This standard requires fixed price rate increases and lease incentives to be recognized on a straight line basis over the life of the lease. The review highlighted that, in prior periods, the Consolidated Entity, had consistently but incorrectly recorded such items as they occurred rather than on a straight line basis over the life of the lease.

The Consolidated Entity amended its accounting policy to reflect the above.

As a result of this amendment to the accounting policy, the Consolidated Entity was required to adjust related balances in prior periods.

(h) 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:

Investment Property

Investment properties were valued at 30 June 2014 by third party valuer Jones Lang LaSalle (see note 5). When determining fair value, assumptions must be made about the yield which the investment property will generate in the future, including the outcome of future rent reviews, the rent which will be achieved for sites not yet tenanted, and future rental income growth. A suitable discount rate to calculate present value must also be selected.

	30 June 2013 Reported $'000	1 July 2013 Opening Adjustment $'000	FY13 Adjustment $'000	30 June 2013 Adjusted $'000	FY14 Adjustment $'000	30 June 2014 Reported $'000
Balance sheet:						
Other non-current assets	-	**25,579**	**6,470**	32,049	6,474	38,523
Deferred tax liability	392,325	**7,674**	**1,941**	401,940	1,941	394,233
Retained earnings	684,687	**17,905**	**4,529**	707,121	4,533	721,615
Net assets	811,707	**17,905**	**4,529**	834,141	4,533	799,643
Profit or loss:						
Investment property and other property revenue (note 2)	71,284	**n/a**	**6,470**	77,754	6,474	86,595
Profit for the year (after tax)	202,011	**n/a**	**4,529**	206,540	4,533	182,196

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. The value in use 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 6).

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 2014 was $671,866,000 (2013: $671,866,000). There was no impairment loss.

Useful lives of property, plant and equipment

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

Deferred taxation on investment properties

Provisions for tax contingencies require management to make judgments and estimates in relation to tax issues and exposures. For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Consolidated Entity has not recognised any deferred taxes on changes in fair value of investment properties as the Consolidated Entity is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probably that the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

	Consolidated	
	2014 $'000	2013 $'000
2. INCOME TAX RECOGNISED IN PROFIT		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	**260,644**	**295,395**
Income tax expense calculated at 30%	78,193	88,618
Permanent differences:		
Non deductible expenses	193	189
Non-deductible depreciation	62	48
Income tax expense	**78,448**	**88,855**
Current tax liabilities		
Income tax payable	**9,421**	**19,132**
Deferred tax liabilities		
Balance at the beginning of period	401,940	344,244
Adjusted balance (Note 1(g))	-	9,615
Temporary differences	(7,707)	48,081
Balance at the end of the period	**394,233**	**401,940**
3. CURRENT RECEIVABLES		
Trade receivables	**57,865**	**43,365**

	Consolidated					
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
4. PROPERTY, PLANT AND EQUIPMENT						
Gross carrying amount –						
Balance at 30 June 2013	**84,483**	**633,580**	**844,776**	**396,071**	**186,865**	**2,145,775**
Additions	-	-	-	-	449,285	**449,285**
Disposals	-	(4,954)	(1,797)	(3,547)	-	**(10,298)**
Transfers (to) / from Investment Property	-	-	-	-	-	**-**
Transfers to / (from) assets under construction	-	63,719	61,780	29,388	(154,887)	**-**
Balance at 30 June 2014	**84,483**	**692,345**	**904,759**	**421,912**	**481,263**	**2,584,762**
Accumulated depreciation/ amortisation						
Balance at 30 June 2013	**10,023**	**181,741**	**213,295**	**195,208**	**-**	**600,267**
Depreciation and amortisation expense	863	26,510	29,012	33,429	-	**89,814**
Disposals	-	(4,954)	(1,795)	(3,506)	-	**(10,255)**
Transfers to Investment Property	-	-	-	-	-	**-**
Balance at 30 June 2014	**10,886**	**203,297**	**240,512**	**225,131**	**-**	**679,826**
Net book value as at 30 June 2014	**73,597**	**489,048**	**664,247**	**196,781**	**481,263**	**1,904,936**

An independent valuation of certain assets was completed at 30 June 2012. Leasehold land, buildings, roads and runways and other infrastructure were valued by Mr Gary Longden FAPI of the firm Jones Lang LaSalle. The valuation was based on depreciated replacement value. The Directors have adopted cost approach in the accounts. If the valuation had been booked the carrying values would have been $150,800,000 for leasehold land, $487,700,000 for buildings and $855,300,000 for roads, runways and infrastructure as at 30 June 2012.

	Consolidated	
	2014 $'000	2013 $'000
5. INVESTMENT PROPERTIES		
Balance at beginning of financial year	1,085,917	1,009,782
Additions for the year	17,548	49,369
Transfers (to) / from property, plant and equipment	-	(17,105)
Net gain from fair value adjustments	(27,077)	43,871
Balance at end of financial year	**1,076,388**	**1,085,917**

The fair value of the investment property as at 30 June 2014 and 30 June 2013 has been arrived at on the basis of a valuation carried out on the respective dates by Mr. Peter Fay AAPI in 2014 and Mr. Martin Reynolds AAPI in 2013 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 8.75% to 9.25%;
- A terminal yield taking into account management's experience and knowledge of market conditions ranging from 7% to 9%; and
- Industrial and retail rental growth rates, taking into account management's experience and knowledge of market conditions ranging from 1.0% to 3.5%.

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.

In according with contract terms outgoings are fully recoverable by 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 4) as security for loans as disclosed in note 13.

	Consolidated 2014 $'000	Consolidated 2013 $'000
6. INTANGIBLE ASSETS		
Goodwill *(i)*	671,866	671,866
Masterplan *(ii)*	2,012	1,772
	673,878	**673,638**

(i) Goodwill has been allocated for impairment testing to two cash generating units, being the operations of Melbourne and Launceston Airports. The carrying amount of goodwill was allocated to cash-generating units as follows

Melbourne Airport	667,700	667,700
Launceston Airport	4,166	4,166

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 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 capitalized 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, Tourism Futures International.

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 11.0% to 11.9% per annum was used (2013: 11.3% to 12.2%). 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.

(i) **Masterplan**

Gross carrying amount – at cost		
Balance at 1 July	2,211	-
Additions	701	2,211
Balance at 30 June	**2,912**	**2,211**
Accumulated amortisation		
Balance at 1 July	(439)	-
Amortisation expense	(461)	(439)
Balance at 30 June	**(900)**	**(439)**
Net book value at 30 June	**2,012**	**1,772**

	Consolidated	
	2014 $'000	2013 $'000
7. FINANCIAL ASSETS		
Cross currency interest rate swap	**67,702**	**43,431**
8. OTHER NON-CURRENT ASSETS		
Deferred operating lease income		
Asset Lease Premium		
Balance at beginning of period	32,049	-
Adjusted balance *(Note 1(g))*	-	25,579
Additions for the period	6,474	6,470
Balance at the end of the period	**38,523**	**32,049**
9. CURRENT BORROWINGS		
Secured:		
Senior – bank debt *(i)*	100,000	**-**
Deferred borrowing costs	(700)	**-**
	99,300	**-**

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

	2014 $'000	2013 $'000
10. CURRENT PAYABLES		
Trade payables	96,601	60,582
Goods and services tax payable	20	1,767
Other Payables	5,797	731
	102,418	**63,080**
Interest Payable to:		
- Secured debt – other entities *(i)*	25,262	24,254
- Unearned revenue	375	338
	25,637	**24,592**
	128,055	**87,672**

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

	2014 $'000	2013 $'000
11. CURRENT PROVISIONS		
Employee entitlements	**5,445**	**5,592**
12. OTHER CURRENT FINANCIAL LIABILITIES		
Interest rate swaps	**1,325**	**8,018**

	Consolidated 2014 $'000	Consolidated 2013 $'000
13. NON-CURRENT BORROWINGS		
– Senior – bank debt *(i)*	39,300	428,500
– Domestic bonds *(i)*		
• Fixed rate notes (6.5% 26 August 2014)	-	100,000
• Fixed rate notes (6.0% 15 December 2015) *(ii)*	100,000	100,000
• Variable rate notes (15 December 2015) *(ii)*	200,000	200,000
• Fixed rate notes (7.0% 25 August 2016)	250,000	250,000
• Fixed rate notes (5.0% 4 June 2020)	225,000	225,000
US Private Placements *(i)*		
Fixed rate US $200m (7.5% 15 September 2021) *(iii)*	191,077	191,077
Fixed rate US $200m (7.4% 15 September 2023) *(iii)*	191,077	191,077
Fixed rate US $200m (7.4% 15 September 2026) *(iii)*	191,077	191,077
Fixed rate (5.95% 15 January 2028)	50,000	50,000
Variable rate notes (15 November 2022)	125,000	125,000
European bond private placement		
Fixed rate (5.74% 26 September 2023) *(iv)*	784,929	-
	2,347,460	**2,051,731**
Exchange rate fluctuation (fair value hedge)	76,283	(16,731)
Total borrowings	**2,423,743**	**2,035,000**
Deferred borrowing costs	(20,838)	(9,827)
	2,402,905	**2,025,173**
Amortisation of borrowings 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	5,380	2,908

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

	2014 $'000	2013 $'000
14. NON-CURRENT PAYABLES		
Other payables	**1,202**	**1,202**
15. NON-CURRENT PROVISIONS		
Employee benefits	**1,815**	**1,520**
16. FINANCIAL LIABILITIES		
Interest rate swaps	**47,344**	**39,407**
17. OTHER LIABILITIES		
Unearned revenue	**4,332**	**4,415**

	Consolidated 2014 $'000	Consolidated 2013 $'000
18. CAPITALISED INTEREST CHARGES		
Property, Plant and Equipment	16,043	7,734
Investment Property	244	1,790
	16,287	**9,524**

Weighted average capitalisation rate on funds borrowed generally 7.0% (2013: 7%)

	2014 $'000	2013 $'000
19. ISSUED CAPITAL		
118,100,000 Ordinary shares – fully paid (2013: 118,100,000)	**118,100**	**118,100**

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

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

	2014 $'000	2013 $'000
20. RESERVES		
Hedge reserves		
Balance at beginning of financial year	8,920	(60,832)
Gains/(loss) recognised;		
- Fair value adjustment	(69,989)	99,646
Deferred tax arising on hedges	20,997	(29,894)
Net movement for the year	**(48,992)**	**69,752**
Balance at end of financial year	**(40,072)**	**8,920**

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

	2014 $'000	2013 $'000
21. RETAINED EARNINGS		
Balance at beginning of financial year	707,121	631,128
Adjustment (Note 1(g))	-	17,905
Balance at 1 July 2013 (adjusted)	**707,121**	**649,033**
Profit for the year	182,196	206,540
Dividends paid	(167,702)	(148,452)
Balance at end of financial year	**721,615**	**707,121**
22. COMMITMENTS FOR EXPENDITURE		
Capital expenditure commitments		
Property, plant and equipment		
Not longer than 1 year	604,149	198,687
Longer than 1 year but not longer than 5 years	15,407	-
	619,556	**198,687**
23. SUBSEQUENT EVENTS		
Nil.		

24. CONTROLLED ENTITIES

Name of entity		Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Parent entity				
Australia Pacific Airports Corporation Limited		Australia		
Controlled entities				
APAC (Holdings No. 2) Pty Limited		Australia	100	100
- Australia Pacific Airports (Melbourne) Pty. Limited		Australia	100	100
Australia Pacific Airports (Property) Pty Limited	*(i) (ii)*	Australia	100	100
APAC (Holdings) Pty Limited	*(i)*	Australia	100	100
- Australia Pacific Airports (Launceston) Pty Limited	*(i)*	Australia	100	100

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

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
25. DIVIDENDS		
A fully franked interim dividend was paid during the financial year	167,702	148,452
Franking account	37,400	50,930

26. SUBSEQUENT EVENTS

The Directors declared a final dividend on the 28 August 2014 of $79,127,000 (0.67 cents per share) to be paid on the 25 September 2014.

27. ADDITIONAL COMPANY INFORMATION

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

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

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

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