BEYOND 9

PERTH AIRPORT ANNUAL REPORT 2008|09

PERTH AIRPORT

Contents

ABOUT THIS REPORT

THIS REPORT IS ONE OF THREE PUBLISHED REPORTS COVERING THE COMPANY'S ACTIVITIES DURING THE 2008/09 FINANCIAL YEAR. IT IS STRUCTURED TO RESPOND TO THE COMPANY'S CORPORATE OBJECTIVES,TO DEMONSTRATE PROGRESS AND TO ACCURATELY REFLECT ACHIEVEMENTS DURING THE 2008/09 FINANCIAL YEAR. THE ANNUAL FINANCIAL REPORT IS CONTAINED WITHIN THIS DOCUMENT AND THE ANNUAL ENVIRONMENT REPORT IS PUBLISHED SEPARATELY. ALL REPORTS CAN BE DOWNLOADED FROM THE PERTH AIRPORT WEBSITE PERTHAIRPORT.COM

Demand for Perth Airport's aviation services continued to grow during the global financial crisis and economic slowdown. Over 9.7 million passengers travelled through Perth Airport during the year with international passenger growth of 4.2% and domestic passenger growth of 6.7%.

Chairman's Review

Perth Airport is one of the most important elements of public infrastructure in Western Australia. Our state's dependence on aviation reflects the vast distances separating population centres within Western Australia and beyond our state. During the past year Perth Airport played an important role in helping develop the economic, social and cultural activities of the state while continuing to provide safe, reliable and affordable airport services.

Like most companies Westralia Airports Corporation commenced the 2008/09 financial year with considerable uncertainty about how the emerging global financial market crisis and economic slow down would impact our company.

By the end of the financial year it appeared that the worst of the economic downturn was over. The year was a very difficult one for airlines, with a collapse in air service demand, particularly for business and premium travel.

Despite the poor trading conditions aviation activity at Perth Airport, as measured by annual passenger movements, increased by 6.1% on the prior year. This growth was substantially higher than that experienced at Australia's other capital city airports, yet was half the average growth rate at Perth Airport for the prior seven years.

The continuing growth in air service demand in Western Australia during a year of significant economic dislocation was due to a number of factors. Firstly, the geography and demography of our state means Western Australians have a greater dependence on aviation than most other regions. Secondly, the Western Australian economy remained relatively strong because of continuing global demand for the state's resources and agriculture commodities. Finally, in the period immediately prior to the slowdown Australian and overseas based low cost airlines were attracted to market opportunities in Perth and committed substantial new air service capacity to the city. To illustrate this last factor, in June 2008 low cost airlines provided just 5% of the seats to and from Perth on international services.

In June 2009 this had increased four fold to 21%.

Overall, while passenger activity was higher, airline yields suffered due to increased competition and widespread airfare discounting.

While demand for our aviation services held up during the year, the economic slowdown reduced demand for our company's industrial and commercial property services.

As a result the value of the company's investment properties declined by $39.8m, which was the main contributing factor to the decline in net profit before tax to $23.5m, down from $84.5m in the prior year.

Underlying operating cash flows however remained resilient. Earnings, prior to adjustment for the investment property devaluation, were 12.8% higher at $130.3m.

During the year the company continued to make significant investments to increase air service capacity and to improve the customer experience at Perth Airport. $47.4m was invested in aviation facilities during the year and projects valued at $125.4m were under construction by the end of the year.

We were also pleased with the progress made by Qantas Airways with their substantial investments to improve customer services in the terminal Qantas owns and operates at Perth Airport. These investments, exceeding $50m in value, will markedly improve all customer touch points in the terminal and are expected to be largely completed by mid-December 2009.

Chairman's Review

Good progress was made during the year with planning and design of the major redevelopment of Perth Airport. A preferred concept design for the final consolidation of all passenger services into the current international precinct was completed, together with a staging plan.

The first stage of this consolidation plan will see over $300m invested to expand the existing terminals and to build a new domestic terminal ('Terminal WA').

Terminal WA is being designed to accommodate air services to regional Western Australia and also some inter-state services. This new terminal is part of our commitment to ensure that Perth Airport provides a high quality service to regional Western Australians and also to the state's resource industries for which aviation is a critical component of the supply/logistics chain.

The company expects to reach agreement with airlines on the redevelopment plan and commence the construction of Terminal WA and expansion of the International Terminal by mid 2010.

During the year the company progressed a major re-financing which had been successfully concluded by September 2009. The financing includes commitments from lenders and shareholders exceeding $950m, $431m of which has been used to refinance existing maturing debt. The balance of the funds is being used for the airport expansion plans. It was pleasing that the company was able to complete this financing and maintain its stable investment grade credit rating during a period of extraordinary turmoil in credit markets.

During the year we also progressed discussions with the Western Australian Government about the need to invest in the arterial road network in the vicinity of Perth Airport. Access to and from Perth Airport is currently being severely constrained during the traditional morning and evening metropolitan peaks and the experience, particularly for international visitors, has become intolerable.

Plans to upgrade the roads in the vicinity of Perth Airport have been developed by Main Roads Western Australia and we were pleased that these works were submitted by the State Government to the Federal Government's Infrastructure Australia programme as one of five priority infrastructure projects for the state. It is clear that Perth Airport's ambitious plans to make major investments to progressively consolidate air services into the current international precinct cannot proceed until the existing arterial road congestion problem is addressed by Governments.

During the year we continued with our efforts to engage with all people and organisations that depend on, or who are affected by, the activities of Perth Airport. We continued to actively engage with local councils, particularly through the Perth Airports Municipalities Group, which provides a valuable forum to ensure the interests of local communities are understood and factored into our airport plans. We also greatly appreciated the involvement of senior representatives of government, industry and airlines in the Perth Airport Advisory Board, which exists to ensure the needs of stakeholders are taken into account in airport operations and planning.

The outlook for Westralia Airports Corporation remains favourable. We have robust plans, the financial capacity and an enthusiastic team of employees which together will ensure Perth Airport continues to meet the needs of Western Australia while delivering appropriate returns to our shareholders.

CHAIRMAN
DAVID CRAWFORD

Chief Executive Officer's Review

During the financial year ending 30 June 2009 Westralia Airports Corporation made pleasing progress meeting the needs of our customer airlines, the travelling public and our shareholders.

Our company's first priority is public and employee safety and it is pleasing that there were no major incidents during a year in which we continued to invest significant resources in our risk, safety and security management frameworks.

Aviation security remained a foremost consideration and, with the assistance of our Airport Security Committee and government agencies, we continued to improve our airport security systems. During the year over $14m was applied to aviation security.

Despite the significant uncertainty during the year caused by the global financial crisis and economic slowdown demand for our aviation services continued to grow.

Total domestic passenger movements increased by 6.7% and international passenger movements increased by 4.2% compared to the prior year.

These growth rates were higher than expected and surpassed other major cities in Australia and most parts of the world, which were more significantly impacted by faltering economies. The resilience of Perth Airport's aviation activity reflects the diverse nature of our air services and the increased competition that has developed in most air service markets in Western Australia. The changed economic conditions resulted in poor trading conditions for most airlines servicing Perth. Airlines typically responded by making modest reductions in air service capacity and by discounting airfares to seek to support demand.

Our company's efforts, in cooperation with Tourism Western Australia, to attract new airlines and to build new routes have continued to be successful.

A particularly pleasing trend for Western Australian travellers has been the increased presence of low cost airlines flying to Perth. These airlines have stimulated competition, opened up new destinations, and made air travel increasingly affordable. Western Australians have never before had so much choice and value in relation to air services and we are pleased to have played a central role in these improvements.

During the year we continued with our investments to increase Perth Airport's capacity and to improve the customer experience.

Significant investments continue to be made by our company and Qantas Airways to improve the airport's domestic precinct. By the end of the year the combined investment in the domestic precinct over the past two years will have exceeded $100m. Improvements to the Qantas Domestic Terminal and the vehicle and pedestrian facilities in the front of the Domestic Terminals will be largely complete by early 2010, delivering a marked improvement in customer service.

During the year we also reached important milestones in our planning and design of the redevelopment of Perth Airport. This planning has confirmed our decision to focus our major investments on the staged consolidation of all domestic and international scheduled air services into the current international precinct.

We have developed an ultimate consolidated terminal design that will see all international, domestic and regional services operating from an integrated facility. This design will deliver high levels of traveller convenience and efficiencies for airlines.

We expect to invest over $300m in the first stage of the consolidation process which will commence in 2010.

This first stage includes construction of a new Domestic Terminal, currently referred to as 'Terminal WA', located

Chief Executive Officer's Review

adjacent to the International Terminal. This new terminal and its aircraft manoeuvring area will cost more than $120m and will be opened for operation in early 2012. During the year we completed construction of the aircraft operating area for the new terminal at a cost of $21m.

The new terminal is being designed to cater for the many services to regional Western Australia, including to mining operations in the state. The new terminal will also serve some inter-state services. When the new terminal opens in 2012 a number of the airlines currently operating in the domestic precinct will relocate, reducing the level of activity and improving the customer experience in the current domestic precinct.

In the first stage of the redevelopment we will also make a major investment to increase the capacity of the International Terminal and to complete a new on-airport public road connecting the two airport precincts. This road is necessary to support the staged consolidation process, recognising that using the off-airport public roads to transfer between the airport precincts is becoming increasingly difficult.

The success of any airport depends on it being accessible. During the year we continued to work with Governments to develop solutions for the congestion on the arterial road network in the vicinity of Perth Airport. Traffic studies confirm that Perth Airport is not the material cause of this congestion, with the times of real impact being the traditional morning and evening metropolitan peaks that do not coincide with the airport's peak operating periods. Both State and Federal Governments are responding positively and a plan has been developed for major upgrades of the Tonkin Highway and other roads near the airport.

In addition to our aviation services Perth Airport provides property services which have continued to attract high quality tenants. During the year we delivered facilities for a number of new clients which are typically transport and logistics companies or play a role in the state's resources sector.

We continued with our commitment to minimise our impact on the natural environment. The Perth Airport estate includes numerous features of high environmental and cultural significance and we continued to devote significant resources to conserve these features. We also continued to work with our tenants to assist them to achieve high standards of environmental management and we were pleased that there were no material pollution events during the year.

The Nyoongar people have an association with the land on which the airport stands extending back thousands of years - there are numerous sites on the airport estate of spiritual significance to them. We were particularly pleased to enter into a partnership agreement with Indigenous elders and representatives which outlines how we will work together to support their continuing association with the land and to promote cultural awareness and understanding.

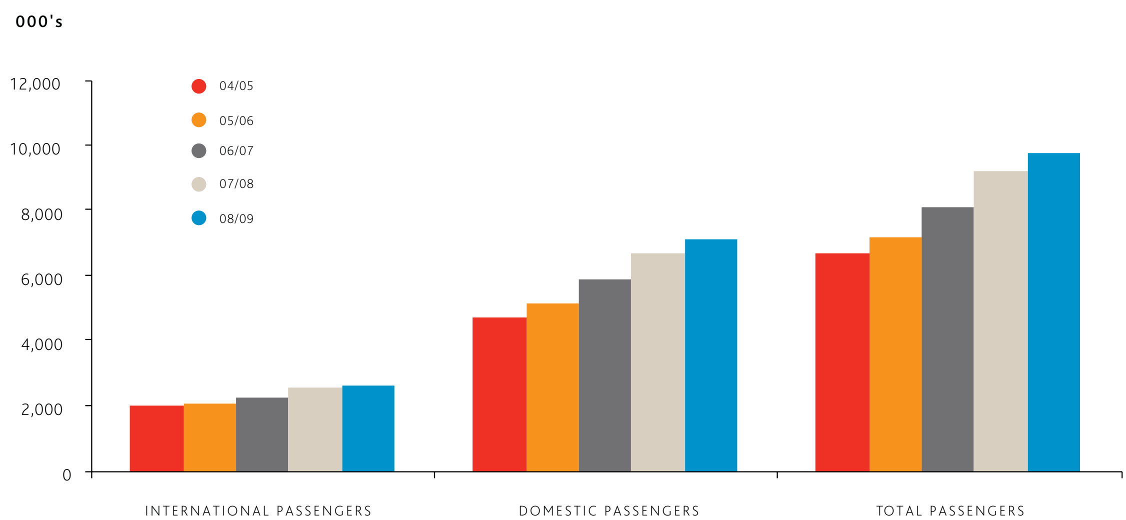
Our company's success depends on our staff and those of the many airlines, aviation service companies, government agencies and our Gold Coat Volunteers who together form the Perth Airport Community. On behalf of our company I express my sincere appreciation for your contribution to the safe, reliable and efficient operation of Perth Airport during the past year.

We have entered the 2010 financial year with significant financial capacity and comprehensive plans to continue to develop and improve Perth Airport.

CHIEF EXECUTIVE OFFICER
BRAD GEATCHES

Passenger Statistics

FIVE YEAR COMPARISON FOR INTERNATIONAL AND DOMESTIC PASSENGERS



SOURCE: WAC

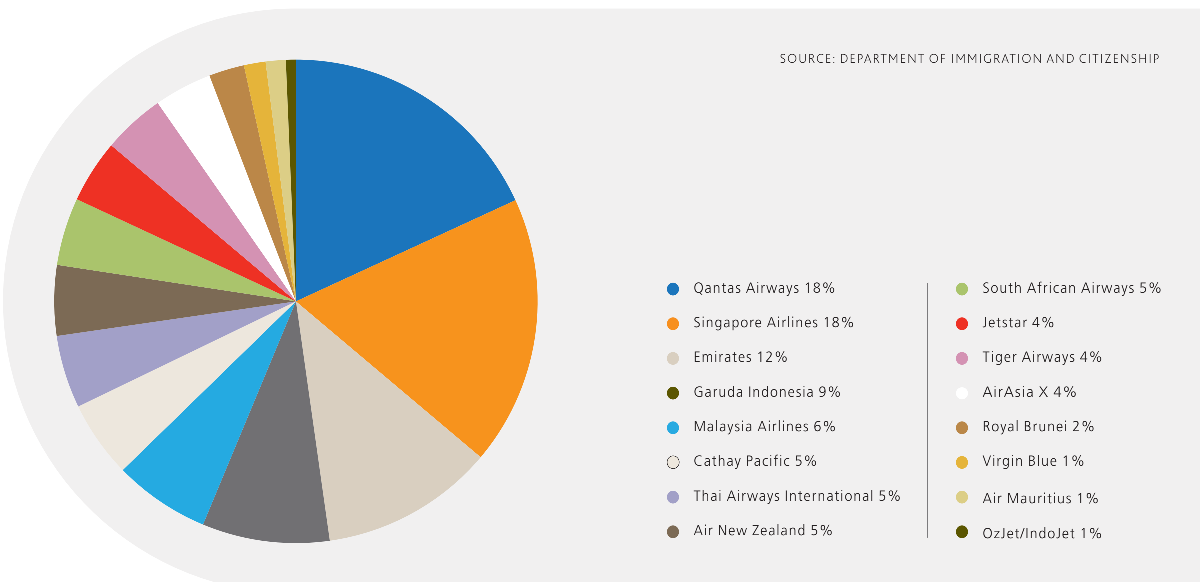
INTERNATIONAL PASSENGERS		CHANGE	
2004-05	1,977,262	210,724	11.9%
2005-06	2,027,223	49,961	2.5%
2006-07	2,221,298	194,075	9.6%
2007-08	2,512,656	291,358	13.1%
2008-09	2,618,775	106,119	4.2%

DOMESTIC PASSENGERS		CHANGE	
2004-05	4,677,704	405,894	9.5%
2005-06	5,107,657	429,953	9.2%
2006-07	5,868,219	760,562	14.9%
2007-08	6,666,498	798,279	13.6%
2008-09	7,116,276	449,778	6.7%

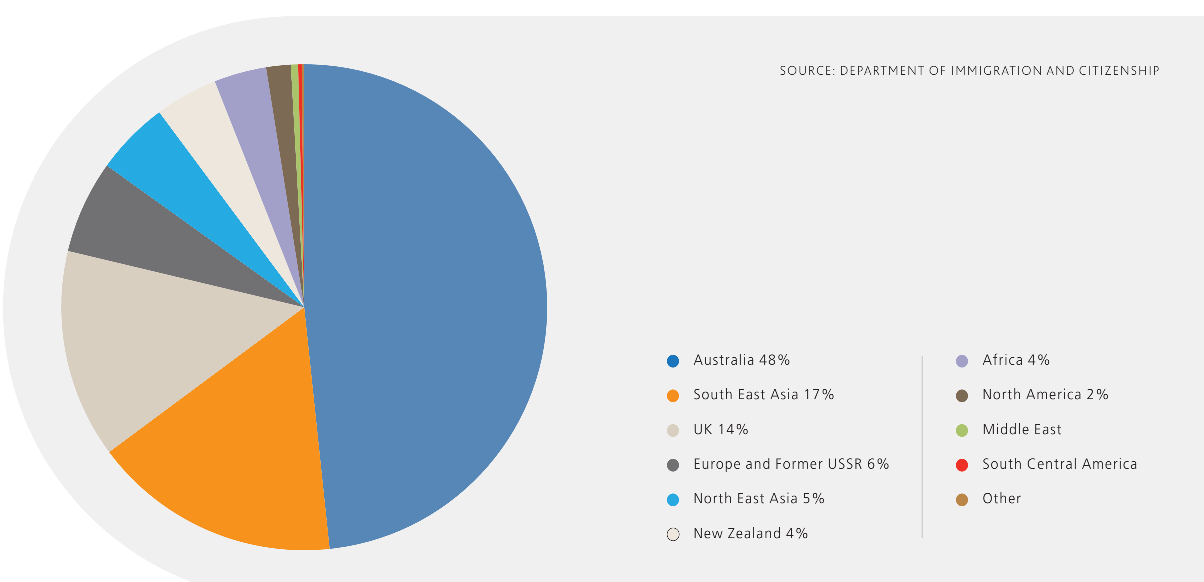
SOURCE: WAC

Passenger Statistics

TOTAL INTERNATIONAL PASSENGER ARRIVALS BY AIRLINE FOR PERTH AIRPORT FOR 2008/09

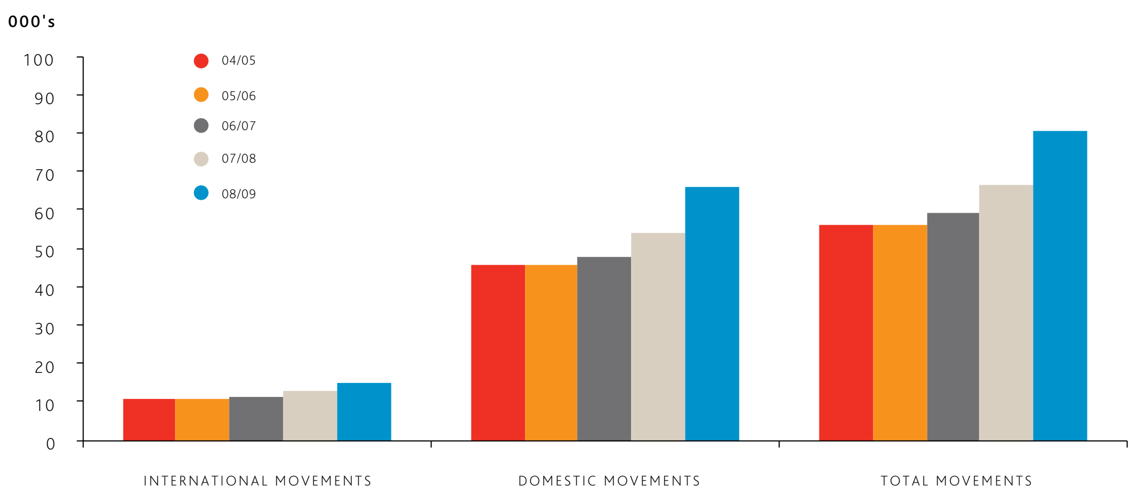


TOTAL INTERNATIONAL PASSENGER ARRIVALS BY REGION OF NATIONALITY FOR PERTH AIRPORT FOR 2008/09



Airport Operating Statistics

FIVE YEAR COMPARISON FOR INTERNATIONAL AND DOMESTIC AIRCRAFT TAKEOFFS AND LANDINGS



SOURCE: WAC

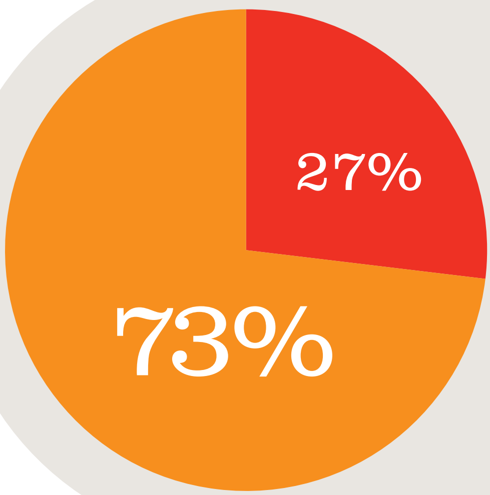
INTERNATIONAL MOVEMENTS		CHANGE	
2004-05	10,556	1,200	12.8%
2005-06	10,537	-19	-0.2%
2006-07	11,391	854	8.1%
2007-08	12,907	1,516	13.3%
2008-09	14,717	1,810	14.0%

DOMESTIC MOVEMENTS		CHANGE	
2004-05	45,562	1,920	4.4%
2005-06	45,345	-217	-0.5%
2006-07	47,882	2,537	5.6%
2007-08	53,663	5,781	12.1%
2008-09	66,521	12,858	24%

SOURCE: WAC

Airport Operating Statistics

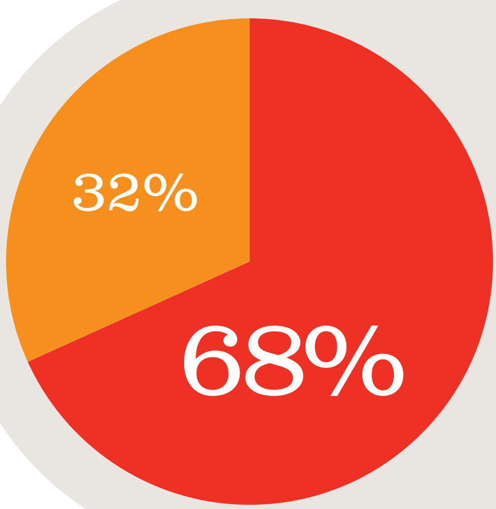
PROPORTION OF DOMESTIC AND INTERNATIONAL PASSENGERS FOR PERTH AIRPORT FY 2008|09



DOMESTIC TOTAL **73%**
INTERNATIONAL TOTAL **27%**

SOURCE: WAC

PROPORTION OF INTER AND INTRA STATE PASSENGERS FOR PERTH AIRPORT FY 2008|09

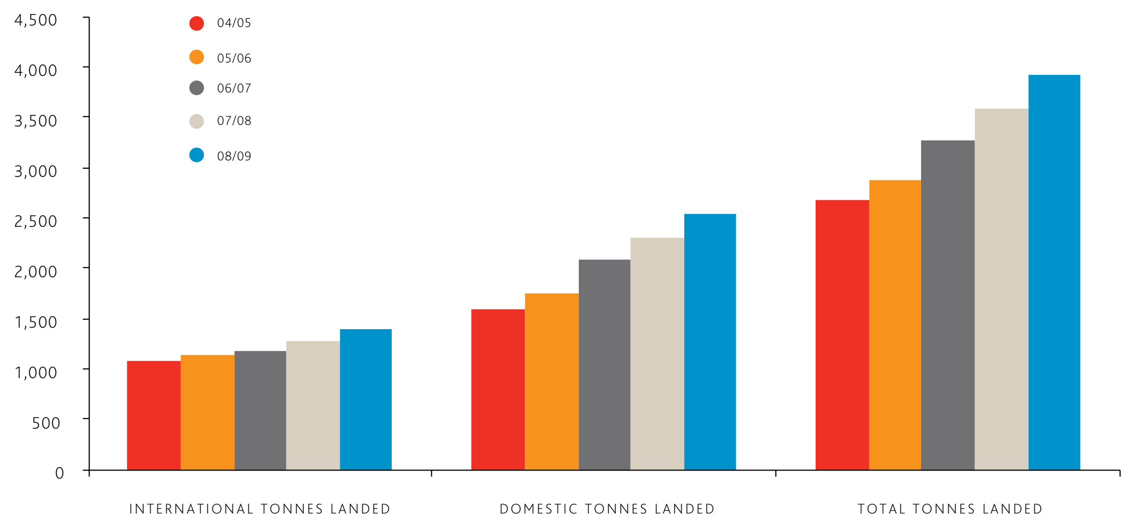


INTRASTATE **32%**
INTERSTATE **68%**

SOURCE: WAC

Airport Operating Statistics

FIVE YEAR COMPARISON FOR INTERNATIONAL AND DOMESTIC TONNES LANDED



SOURCE: WAC

INTERNATIONAL TONNES LANDED		CHANGE	
2004-05	1,080,716	75,499	7.5%
2005-06	1,131,831	51,115	4.7%
2006-07	1,183,237	51,406	4.5%
2007-08	1,274,653	91,415	7.7%
2008-09	1,391,674	117,021	9.2%

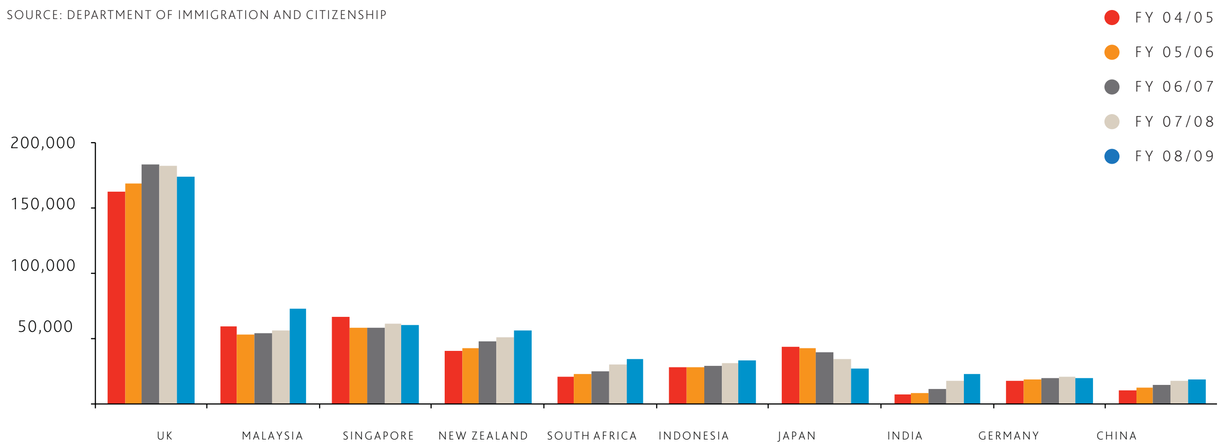
DOMESTIC TONNES LANDED		CHANGE	
2004-05	1,597,355	109,779	7.4%
2005-06	1,738,600	141,245	8.8%
2006-07	2,085,900	347,300	20.0%
2007-08	2,300,875	214,975	10.3%
2008-09	2,536,888	236,014	10.3%

SOURCE: WAC

Airport Operating Statistics

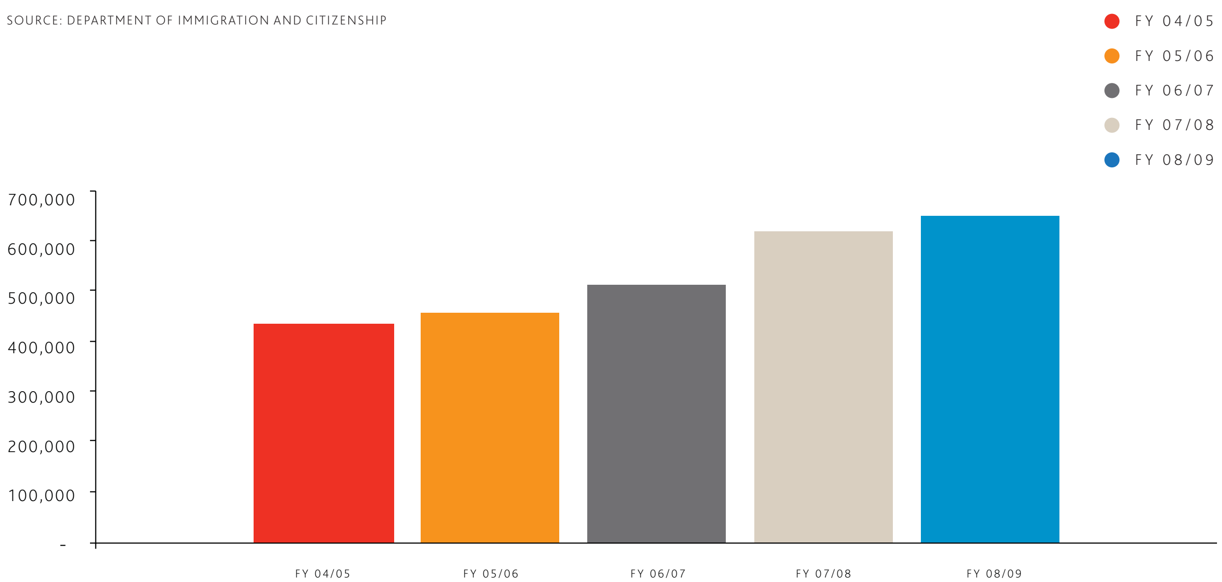
FIVE YEAR COMPARISON FOR TOP TEN INTERNATIONAL PASSENGER ARRIVALS BY NATIONALITY FOR PERTH AIRPORT

SOURCE: DEPARTMENT OF IMMIGRATION AND CITIZENSHIP



FIVE YEAR COMPARISON FOR AUSTRALIAN NATIONALITY PASSENGER DEPARTURES FOR PERTH AIRPORT

SOURCE: DEPARTMENT OF IMMIGRATION AND CITIZENSHIP



Airport Operating Statistics

AIRLINE CAPACITY REPORT INTO PERTH FROM LAST PORT - TWO YEAR COMPARISON

PORT	AIRLINE	TOTAL 2008/2009 SEATS	% CHANGE SEATS	TOTAL 2008/2009 AVAILABLE FLIGHTS	% CHANGE FLIGHTS	TOTAL 2007/2008 SEATS	TOTAL 2007/2008 AVAILABLE FLIGHTS
Auckland	Air Zealand	76,752	7.9%	328	8.3%	71,108	303
Bangkok / Phuket	Thai Airways	78,773	-4.7%	258	-1.1%	82,675	261
Brunei	Royal Brunei	58,056	20.5%	346	41.2%	48,164	245
Cocos / Christmas Island	National Jet	9,729	3.0%	127	2.4%	9,446	124
	OzJet	330	100.0%	3	100.0%		
Denpasar	Garuda	135,925	40.9%	879	41.8%	96,482	620
	Virgin Blue	26,846	100.0%	154	100.0%		
	Jetstar	23,640	100.0%	134	100.0%		
	OzJet/Indojet	14,072	57.9%	128	58.0%	8,910	81
	Qantas	11,256	-59.6%	67	59.6%	27,888	166
Dubai	Emirates	194,465	-18.5%	729	-0.4%	238,540	732
Hong Kong	Cathay Pacific	101,888	33.1%	330	34.1%	76,554	246
	Qantas	46,706	10.7%	156	-0.6%	42,206	157
Jakarta	Jetstar	18,710	100.0%	106	100.0%		
	Garuda	17,664	-14.4%	184	-10.7%	20,624	206
	Qantas	7,917	-67.9%	47	-68.0%	24,696	147
Johannesburg	South African Airways	74,951	10.8%	258	-3.7%	67,642	268
	Qantas		-100.0%			2,700	6
Kuala Lumpur	Malaysia Airlines	131,816	-5.4%	455	-5.4%	139,357	481
	AirAsia X	79,919	100.0%	227	100.0%		
Mauritius	Air Mauritius	23,916	-23.1%	80	-23.1%	31,100	104
Singapore	Singapore Airlines	292,401	-12.7%	923	-11.0%	334,765	1,037
	Qantas	213,253	-5.0%	711	-2.5%	224,570	729
	Tiger Airways	66,684	-3.5%	371	-3.4%	69,120	384
	Jetstar	37,524	100.0%	212	100.0%		
Tokyo - Narita	Qantas	36,211	-2.8%	151	-3.8%	37,254	157
TOTAL		**1,779,404**	**7.6%**	**7,364**	**14.1%**	**1,653,801**	**6,454**

SOURCE: WAC

Financial Results Summary

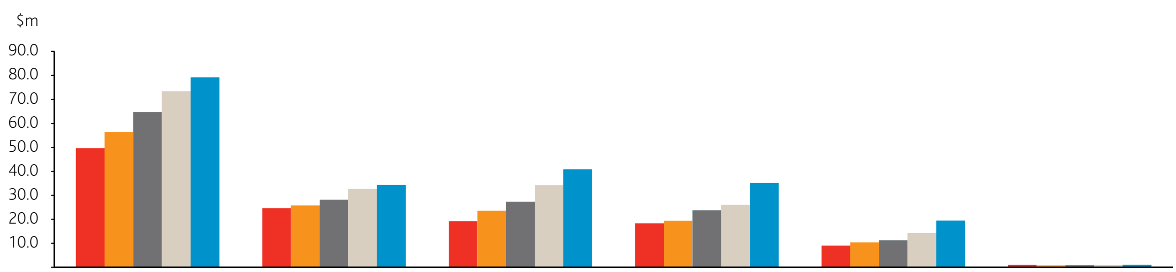
STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED JUNE 2009

	ACTUAL 08/09* $M	ACTUAL 07/08* $M	ACTUAL 06/07* $M	ACTUAL 05/06* $M	ACTUAL 04/05* $M
REVENUES FROM CONTINUING OPERATIONS EXCLUDING FINANCE REVENUE					
Aeronautical charges	79.1	73.3	64.7	56.4	49.6
Commercial trading	34.3	32.6	28.2	25.8	24.6
Ground Transport Services	40.8	34.2	27.4	23.6	19.2
Property	35.1	26.0	23.8	19.4	18.3
Recharge property service costs	19.5	14.3	11.3	10.4	9.1
Other	1.0	0.9	0.9	0.8	1.0
TOTAL REVENUES FROM CONTINUING OPERATIONS EXCLUDING FINANCE REVENUE	209.8	181.3	156.3	136.4	121.8
OTHER INCOME EXCLUDING FINANCE REVENUE					
Fair value adjustment to investment land and buildings	-39.9	24.8	83.5	36.4	12.8
Other	0.0	0.0	0.0	0	0.0
TOTAL OTHER INCOME EXCLUDING FINANCE REVENUE	-39.9	24.8	83.5	36.4	12.8
OPERATING EXPENSES					
Employee expenses	21.0	19.3	14.2	13.7	11.8
Services and utilities	40.8	33.3	25.6	24.5	20.8
General administration and other	13.0	-0.7	28.3	18.4	15.1
Leasing and maintenance	4.5	4.2	3.7	2.9	2.9
TOTAL OPERATING EXPENSES	79.3	56.1	71.8	59.5	50.6
EBITDA**	90.6	150.0	168.0	113.3	84.0
FINANCE REVENUE					
Interest revenue	1.5	2.0	1.8	1.6	1.0
TOTAL FINANCE REVENUE	1.5	2.0	1.8	1.6	1.0
NON OPERATING EXPENSES					
Depreciation and amortisation	15.1	13.1	14.4	11.4	12.4
Interest expense					
- Primary debt holders	44.8	40.3	36.0	44.7	38.7
- Secondary debt holders	7.8	12.9	16.4	18.6	20.6
- Other	0.9	1.2	2.3	1.7	0.2
- Other borrowing expenses		0.0	42.1	14.2	0.6
TOTAL NON OPERATING EXPENSES	68.6	67.5	111.2	90.6	72.5
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	23.5	84.5	58.6	24.3	12.5

* REVENUES AND EXPENSES ACCOUNTED FOR PER INTERNATIONAL FINANCIAL REPORTING STANDARDS FROM 2004/05 ONWARDS
** EBITDA REPRESENTS EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION.

Financial Statistics

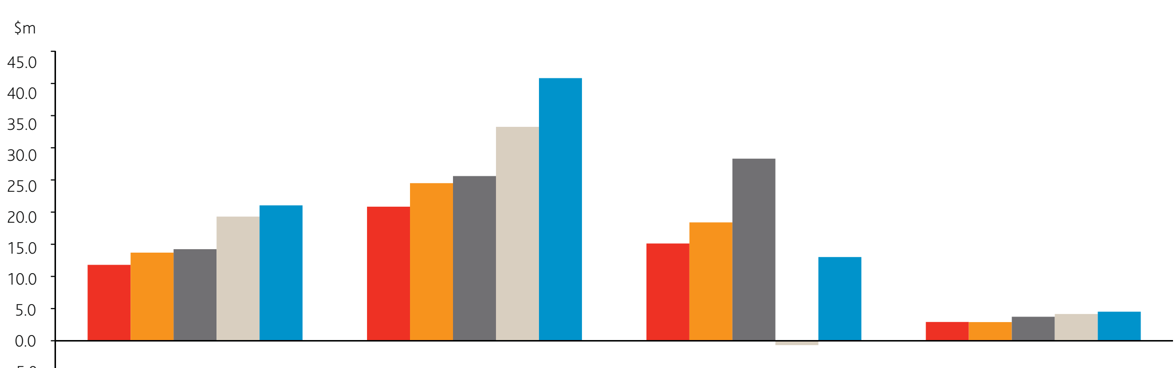
FIVE YEAR COMPARISON FOR OPERATING REVENUE



	AERONAUTICAL	TRADING	GROUND TRANSPORT	PROPERTY	RECHARGE	OTHER
Actual 04/05 ($m)	49.6	24.6	19.2	18.3	9.1	1.0
Actual 05/06 ($m)	56.4	25.8	23.6	19.4	10.4	0.8
Actual 06/07 ($m)	64.7	28.2	27.4	23.8	11.3	0.9
Actual 07/08 ($m)	73.3	32.6	34.2	26.0	14.3	0.9
Actual 08/09 ($m)	79.1	34.3	40.8	35.1	19.5	1.0

SOURCE: WAC

FIVE YEAR COMPARISON FOR OPERATING EXPENSES

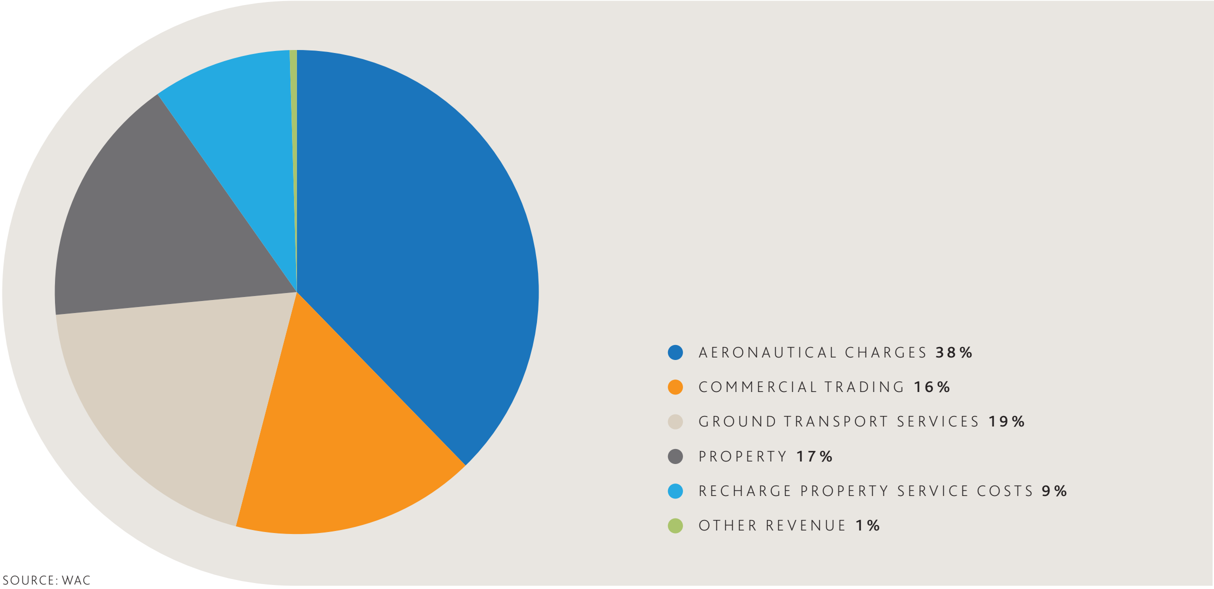


	LABOUR & OVERHEADS	SERVICES & UTILITIES	GENERAL ADMINISTRATION	LEASING & MAINTENANCE
Actual 04/05 ($m)	11.8	20.8	15.1	2.9
Actual 05/06 ($m)	13.7	24.5	18.4	2.9
Actual 06/07 ($m)	14.2	25.6	28.3	3.7
Actual 07/08 ($m)	19.3	33.3	-0.7	4.2
Actual 08/09 ($m)	21.0	40.8	13.0	4.5

SOURCE: WAC

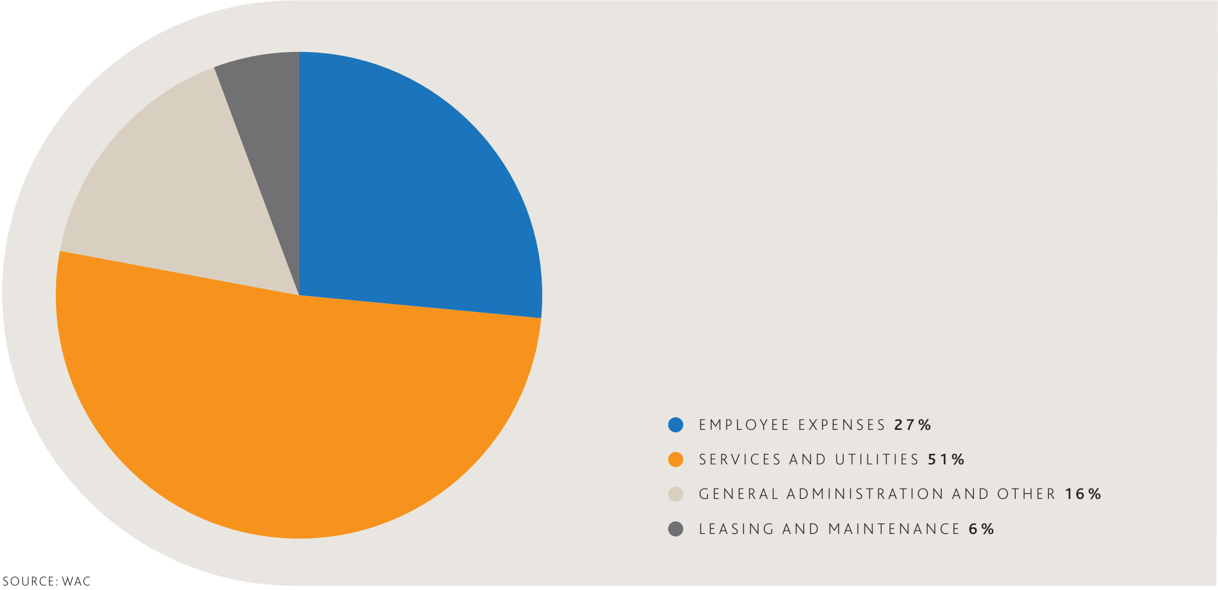
Financial Statistics

OPERATING REVENUES FOR FY 2008/09



SOURCE: WAC

OPERATING EXPENSES FOR FY 2008/09



SOURCE: WAC

Aeronautical

- Fastest growing Australian capital city airport
- Western Australians benefiting from low cost airlines
- Strong growth in South East Asian markets

The 2009 financial year was a difficult one in most aviation markets. The year started with record high fuel costs which had placed considerable cost pressures on airlines. As fuel costs moderated, the global financial crisis began which contributed to a dramatic decline in premium travel.

Unusual events in specific markets such as H1N1 and the closure of Bangkok Airport for 11 days in November and December 2008, also impacted air travel.

Despite all of these factors, Perth Airport's aviation markets remained resilient with passenger numbers growing by 6.1% to 9.7m for the year and Perth Airport was, once again, Australia's fastest growing capital city airport.

One reason for the resilience of Perth's aviation demand is the diverse nature of its markets. Perth Airport has a good mix of international, interstate and intrastate passengers and also a wide range of reasons for travel including business, leisure and visiting friends and relatives.

Perth's isolation also contributes to the resilience of aviation demand. Western Australians take considerably more international trips per capita than the national average. In the 2009 financial year, there were 0.37 international departures per resident compared to the national average of 0.28 departures per resident. As the primary gateway to Western Australia, Perth Airport's catchment area is effectively the entire state.

International Markets

The changed economic conditions and the increased presence of low cost airlines in Perth markets have together resulted in a change in the nature of Perth's aviation markets. In particular there has been a decline in long haul travel from markets such as the UK and Europe, where economies were significantly affected by the global financial crisis and economic slow down.

At the same time Perth has experienced increased travel to markets in South East Asia where economies were far less affected. This trend was aided by the substantial growth in low cost airlines operating services to Perth, which has been the major cause of the 42% increase in passengers to Bali and the 30% increase in Malaysian nationality arrivals. Other markets with strong growth included South African and New Zealand nationality visitors, which were 13% and 10% higher respectively.

Perth Airport continued to work closely with Tourism WA to attract new airlines and air services to Western Australia, resulting in a net increase of 7.6% in international seat capacity into Perth (see table on page 14).

Western Australian's have access to an increasingly wide range of international air services with lower fares due to the increased competition in most markets.

The outlook for international aviation markets in Western Australia remains favourable with many key economies showing signs of recovery and with all key factors influencing aviation demand, including population growth, disposable income and employment levels forecast to outperform other states.

Aeronautical

Interstate Markets

The top four domestic markets from Perth are Melbourne, Sydney, Brisbane and Adelaide and together they make up approximately 74% of all domestic passengers. Interstate markets have grown at a slower rate than intrastate for several years and in 2009 interstate passenger movements grew by 3.2%. This rate of growth was below the average growth rate of the prior five years of 9.3%.

This slowing in interstate growth reflected the economic slowdown, however Perth was not as affected as other Australian regions.

In the two years leading up to the 2009 financial year Perth had experienced growth in seat capacity of approximately 25.3% in our main interstate markets. Domestic airlines responded to the change in economic conditions in 2009 by making modest reductions in seat capacity and airfare discounts and were successful in keeping load factors at reasonable levels, though airline yields are understood to have materially declined.

By the end of the 2009 financial year airlines advised that there were some indications that interstate demand was recovering.

Intrastate Markets

Intrastate flights grew by 15% in 2009 and while this is down from the growth of 24% in 2008, it demonstrated the continuing importance of aviation to meeting the needs of Western Australia's dispersed regional centres and large resources sector. The resource sector's preference to deploy its workforce on a "fly in fly out" basis means that aviation and Perth Airport are a crucial element of the sector's supply chain.

While the significant fall in commodity prices in 2009 resulted in some resource sector rationalisation, such as the closure of BHP's Ravensthorpe facility and postponement of some expansion plans these factors did not have much impact on Perth Airport's intrastate aviation markets. This market resilience reflects that Perth Airport's intrastate demand is much more heavily impacted by the state's iron ore and oil and gas sectors.

These sectors, which represent approximately 75% of Perth Airport's resource sector passengers, were far less affected by the economic slow down. As a result passenger movements from Perth to Karratha increased by 26% in 2009, following on from a 27% increase in 2008.

The outlook for Perth Airport's intrastate air services market looks particularly favourable noting the signs of economic recovery that were emerging towards the end of the 2009 financial year and confirmation of significant resource sector investment plans as exemplified by the recently announced Gorgon oil and gas project.

Continuing customer service improvements were made during the year including the introduction of courtesy shuttle buses. The service operates every 10 minutes to the Long Term Car Parks from the Domestic Terminals, 24 hours a day.

Our vision.
To operate an outstanding airport business providing great customer service.

Airfield and Terminal Developments

- Terminal WA apron completed
- Major upgrades to terminal forecourts
- $47.4m invested in aviation facilities

During the year Perth Airport continued to make substantial investments in new and improved infrastructure.

Domestic Terminal Precinct

Qantas Airways' major redevelopment of the Qantas owned and operated domestic terminal continued during the year. Most of these works are expected to be complete by mid December 2009.

Investments continued to be made to expand the neighbouring Domestic Terminal from which Virgin Blue, Skywest, Tiger Airways and Alliance operate, delivering new aerobridges, expanded departures lounge and enhanced retail offerings.

During the year a redevelopment of the pedestrian and vehicle facilities at the front of the Domestic Terminals was commenced. This $9m project, which will be completed in early 2010, will deliver greatly improved passenger amenities, including better taxi services and pick up and drop off areas.

Investments also continued to be made in the road network and car parking facilities in the Domestic Precinct.

International Terminal Precinct

Further investments were made during the year to improve customer service in the International Terminal.

The international departures lounge was refurbished, including improved retail offerings. The pedestrian and vehicle facilities at the front of the International Terminal were redeveloped during the year improving access to the terminal. We are pleased the Australian Customs and Border Protection Service introduced their SmartGate technology at Perth Airport. SmartGate allows international passengers with the appropriate 'smart chip' in their Australian passports to expedite the arrival process and we are pleased to report the take up rate has been very strong and has assisted in reducing processing times for arriving passengers.

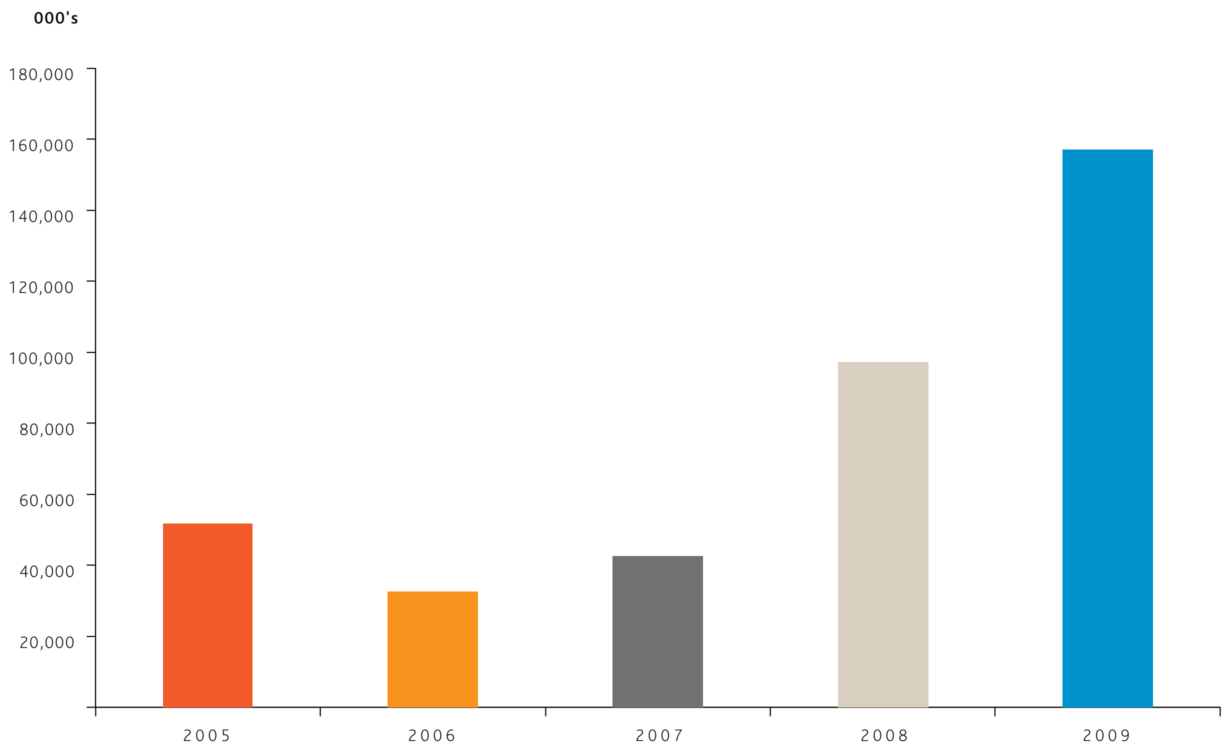
Our customer service program includes the valuable service of our Gold Coat Volunteers, recognisable by the gold coats they wear, and Tourism Western Australia's West Oz Welcomers. These groups of volunteers, providing their friendly service for many years, are invaluable to our organisation and provide excellent customer service to the millions of passengers travelling through Perth Airport.

Airfield

Due to the combined needs of intrastate and interstate services there continued to be high demand for aircraft parking areas at Perth Airport. During the year aircraft parking capacity was further increased. An important milestone was the completion of the large aircraft manoeuvring and parking apron that will support a new terminal, called Terminal WA. At a cost of $21m, the Terminal WA apron has capacity to service up to 34 aircraft.

Capital Expenditure

CAPITAL EXPENDITURE INVESTED IN PERTH AIRPORT 2005-2009



	CAPEX SPEND
2005	$51.74m
2006	$32.62m
2007	$42.63m
2008	$97.08m
2009	$157.06m

SOURCE: WAC

Transport and Retail

Important elements of the customer experience at Perth Airport are the quality of transport and retail services. During the year substantial investments were made to further improve retail and transport service offerings.

Car Parking

1,993 additional short and long-term car parking bays were constructed during the year bringing the total number of bays at the airport to over 9,000. At Perth Airport there is significant demand for long-term parking reflecting that the large majority of passengers are leaving Perth for more than two days.

Our long-term parking product was substantially improved during the year and now features:

- a high quality shuttle bus running to the front of the terminals every 10 minutes;
- air conditioned waiting areas with flight information display screens and remote check-in for Qantas passengers; and
- high levels of security with CCTV, monitored call points and security patrols.

Our long-term car parking offers good value for money, with an average cost per day of under $12.00 for a seven day stay. Perth also has a far greater propensity for friends and relatives to come to the airport to greet and farewell travellers. People greeting and farewelling are major users of the short-term car parks close to the terminals. During the year 330 additional short-term bays were constructed and 299 two hour bays were introduced close to the terminals.

Revenue from ground transport increased to $40.8m reflecting increased propensity to park, particularly in our long-term car parks.

Public Transport

During the year Perth Airport continued to assist the State Government which is undertaking a feasibility assessment of connecting the airport into the city's rail network.

While on the face of it a passenger rail connection to Perth Airport appears a sensible initiative it is to be noted that the people using Perth Airport are widely dispersed throughout the metropolitan region and most rail users will have to change trains to connect to the airport. Also, there is no significant concentration of demand for airport rail services which exists at many other larger cities. However, in the long term, it is to be expected that Perth Airport will be connected into the city's rail network and we are therefore ensuring that airport development planning and design provides for a rail link.

Taxi and bus services remain essential modes for accessing Perth Airport. During the past year, availability of taxis at Perth Airport improved and taxi supply will continue to be an important factor influencing customer service at Perth Airport.

During the year work commenced on redeveloping the vehicle and pedestrian facilities in front of the Domestic Terminals. These works will greatly improve the efficiency of taxi access and reduce passenger waiting times.

We were disappointed with advice that Transperth intends to reduce the frequency of public bus services to the Domestic Terminals at Perth Airport. We believe this decision was made by Transperth because their bus services do not have sufficient patronage to be economic. With people seeking to access Perth Airport from throughout the metropolitan region efficient shuttle bus services will play an important public transport role.

Transport and Retail

During the year Perth Airport decided to partner with Carbridge Pty Ltd to introduce improved airport shuttle bus services.

Commencing in 2010 high quality, regular and value for money shuttle bus services will operate between Perth Airport, the CBD, Fremantle, Mandurah and Scarborough Beach. It is also planned to introduce a shuttle bus to/from Bayswater railway station and to expand the shuttle bus network to many other locations in the metropolitan region.

Retail

Customer surveys confirm that travellers consider shopping to be an important part of their journey, particularly when holidaying. The range, authenticity and quality of retail offered at Perth Airport continued to improve during the year. Internationally renowned brands such as Sunglass Hut and Rip Curl continue to be attracted to Perth Airport and major refurbishments of F1RST Tax and Duty Free stores (operated by The Nuance Group) and the International Terminal food court were completed. Enhancements have also improved foreign currency exchange, news and books, automatic banking outlets and free internet access.

Works have commenced to improve the Domestic Terminals retail offer, with specific regard to expanding the range of food and beverage options available. Retail revenue increased by 5.2% to $34.3m during the year.

Property

- New Pilbara Mining Operations Centre completed for Rio Tinto
- hKew Alpha Stage 2 completed
- LeTourneau and Macmahon commence operations

The Perth Airport land holding includes more land than is required solely for aviation services over the long-term. This is the case so that land uses can be planned by Westralia Airports Corporation and approved by the legislated master planning process to ensure aviation needs are not compromised by other land uses.

Perth Airport is located at the apex of the city's "metropolitan triangle" (see figure page 27) and is the largest single active and contiguous land use in the Metropolitan Regional Scheme.

Experience to date confirms that Perth Airport is a logical location for transport dependent logistics companies, reflecting that:

- many companies need access to passenger and freight air services, particularly those servicing clients in regional Western Australia; and
- the Perth Airport estate is located adjacent to other transport modes, including the Kewdale rail freight facility, major highway networks and, via those roads, to the Port of Fremantle.

The successful development of Perth Airport's industrial property precincts is consistent with national and international trends that major airports are incorporated into multi-modal transport precincts as a preferred urban planning outcome. It is also consistent with the Western Australian Government's planning policies for Perth.

The continuing successful development of Perth Airport's industrial and commercial precincts has delivered increasing diversity to our business and low risk growth opportunities. Our record of securing the highest quality of available tenants on favourable long-term lease terms continued during the year as large, well known Australian and international companies have identified Perth Airport as the best location for their state and regional bases.

The development of new Perth Airport-owned properties, combined with the company's ability to maintain 100% occupancy and positive rental reviews, contributed to $35.1m of property revenue during 2008/09, which is a 35% increase on the previous financial year.

During the year Perth Airport developed new facilities on a pre-committed basis for a number of high calibre clients. A major development for our company was the completion of a 'state of the art' Operations Centre for Rio Tinto from which services, essential to the company's Pilbara mining operations, are provided. The 4,050m² Rio Tinto facility operates 24 hours per day, 365 days per year.

The Operations Centre was delivered on time and on budget in around nine months and shortly we will complete an office building to accommodate Rio Tinto's Operations Centre planning teams.

This building will be constructed to a 5 Star Green Star rating. These facilities, developed in partnership with Rio Tinto, exemplify the strong market position of Perth Airport's industrial and commercial property development capabilities. During 2008/09 the second stage of our hKew Alpha office building, located within the hKew Office Park, was completed. hKew Alpha was fully tenanted at the conclusion of each stage and tenants include the Commonwealth Department of Infrastructure, BHP, Sinclair Knight Merz, McGillivrays Accountants, the Water Corporation and Helicopters Australia.

Property

Other new clients for which facilities were developed during the year included:

- LeTourneau, a 10,500m^2 site consisting of a 400m^2 two level administration office and 2,200m^2 warehouse/workshop.
- Macmahon, a 45,000m^2 site consisting of a two-level administration office, warehouse/workshop and 28,000m^2 of hardstands.
- Terex, a 40,000m^2 site consisting of a 1,965m^2 two level administration office, 2,950m^2 warehouse and 7,745m^2 workshop.

Perth Airport's commercial and industrial property precincts are developed to very stringent precinct development guidelines that include high standards of environmental protection and a visually pleasing built environment with high levels of amenity. High quality streetscapes, public art commissions and parkland are designed to compliment the existing environment.

While demand slowed during 2008/09, continuing interest is being expressed in Perth Airport's property services, reflecting that the Airport continues to be a location of choice for large companies with transport needs.

With 306 ha of the airport estate
under permanent conservation, consultation
with the traditional owners of the land,
remains a key priority
for our company.

Environment

- Environment Strategy updated following extensive public consultation
- 2008 Western Australian Environment Awards Finalist
- Completed Comprehensive Energy Audits of Terminals

The Perth Airport estate contains areas of high quality bushland, species of federally listed rare flora, habitat for a diverse range of fauna including the Southern Brown Bandicoot and wetlands of ecological and cultural value. Perth Airport also recognises that the manner in which we and our tenants conduct our business can impact the environment beyond the airport.

The company's comprehensive approach to environmental management is described in the "Perth Airport Environment Strategy" and "Perth Airport Master Plan", which are developed in accordance with Commonwealth legislation that controls the development and operation of Perth Airport.

The company continues to take an estate wide approach to ecological sustainability and previously set aside 306 ha of the estate as conservation precincts, within which are located the features of most environmental significance. A further 39 ha is reserved for conservation within the Infrastructure Only Conservation Zone.

During 2008/09 Perth Airport has achieved a number of significant milestones in environmental management including the following:

- No material environmental incidents or pollution events
- Continued expansion of revegetation programs, with approximately 47,500 seedlings planted within the conservation precincts
- Established a 'living collection' of endangered Macathuria keigheryi within the conservation precinct
- Completed fauna surveys within the conservation precincts
- Completed macro-invertebrate surveys of four key wetlands, in collaboration with Murdoch University
- Audited the current status of known Aboriginal heritage sites
- Exceeded target for compliance inspections of Operational Environmental Management Plans for businesses operating at Perth Airport
- Developed and implemented a contractor inspection program for compliance to Construction Environmental Management Plans
- Nominated as a finalist in the 2008 Western Australian Environment Awards and the State Water Awards, in recognition of a number of key achievements in environmental management and water conservation at Perth Airport
- Continued implementation of the company's sustainability strategy focusing on reducing the company's carbon emissions and understanding risks to ecological and infrastructure assets resulting from potential climate change impacts.

During 2008/09 a comprehensive public consultation process was undertaken to assist with the five yearly review of the Perth Airport Environment Strategy. Valuable input was received from representatives of conservation and catchment management groups, the local Aboriginal community, businesses operating at Perth Airport, community groups and the Commonwealth, State and Local governments. The updated Environment Strategy was approved by the Commonwealth Government in September 2009.

Environment

Our program of rehabilitating the conservation precincts with provenance seed stock collected on the estate has culminated in over 47,500 seedlings being planted during the year. In addition we contributed seedlings established at the airport nursery to a local community group and primary school to assist in their revegetation activities.

We continue to collaborate with universities and research institutes to provide a greater understanding of the environment at Perth Airport. During 2008/09 Murdoch University completed a survey of macro-invertebrates within four wetlands on the estate. The results provide an indication of ecological health of the wetland systems, and build on similar surveys completed in the 1990's. The fauna was also re-surveyed to determine the extent of fauna diversity present on the estate. The notable inclusion is the reported presence of the Forest Red-tailed Black Cockatoo.

We continue to undertake a comprehensive surface water and groundwater monitoring program. Monitoring continues to indicate there are no adverse impacts to surface water quality arising from airport operations. Groundwater quality varies considerably across the estate and monitoring indicates there are no additional adverse impacts to those reported previously, and discussed further in the Perth Airport Environment Report 2008/09.

Our team works closely with businesses operating at Perth Airport to assist them to maintain high standards of environmental management. This is supported by tenants providing Environmental Management Plans (EMP's) and routine compliance inspections by our staff.

Climate Change

At Perth Airport we accept our obligation to contribute to reducing greenhouse gas emissions and during the year we progressed implementation of our company's Sustainability Strategy.

Aviation industry participants, including airports, airlines and Airservices Australia which is responsible for air navigation, all have a role to play in controlling carbon emissions from commercial aviation.

It is important to note that aviation will continue to be a crucial transport mode for Australians, particularly Western Australians, given the absence of other viable long-haul transport modes.

At Perth Airport our contributions to reducing carbon emissions will include:

- Ensuring our airport facilities design minimises aircraft taxiing distances and congestion thereby reducing aircraft fuel consumption.
- Supporting introduction of more efficient air space management, including use of improved technology to allow aircraft to fly more direct routes to and from Perth Airport.
- Identifying opportunities to minimise electricity consumption through better practice design of new buildings and retro-fitting energy saving technology to existing buildings.
- Encouraging greater transport efficiency accessing Perth Airport, through improved public transport and seeking investments in road networks to reduce congestion.

During the year we completed energy audits of our existing terminals and we are ensuring that sustainability and carbon emissions are factored into the design of new terminals, which is currently underway.

We also continue to investigate and take a proactive approach to alternative transport opportunities.

Together with Carbridge Pty Ltd we are seeking to establish a network of shuttle bus services throughout the metropolitan region to provide more efficient airport access options.

In 2009 a Partnership Agreement was signed with representatives of the Nyoongar people which outlines how we will support their continuing association with Perth Airport land and to promote cultural understanding.

SmartGate, now available at the International Terminal is a simple two-step process, offering passengers arriving into Perth another option for clearing through passport control.

Safety and Security

Public safety and security remain our foremost consideration in managing and operating Perth Airport.

There were no serious aviation safety or security incidents during the year.

There is comprehensive Commonwealth legislation that applies to aviation safety and security at Perth Airport and relevant Commonwealth departments implement a range of oversight measures to ensure compliance with legislation and to promote better practice.

In addition to comprehensive regulatory oversight Perth Airport applies contemporary risk management processes to identify, assess and treat all forms of risk, including risks that could impact public and employee safety.

These processes are backed up by a robust internal assurance program.

During 2008/09 we worked closely with airlines, aviation service providers and government agencies to further improve our aviation security protection measures.

In addition to the passenger and baggage security screening measures apparent to the public there is a comprehensive range of other measures that are aimed at detecting, deterring and responding to any threats.

Over $14m was invested by Perth Airport in aviation security measures during 2008/09 and, in addition, a single initiative with a capital cost of over $18m was commenced. These expenditures form only part of the investment in aviation security at Perth Airport, noting that airlines, tenants and government agencies also undertake significant security control processes.

Australia's aviation industry has an enviable safety record. The Civil Aviation Safety Authority (CASA) oversees application of comprehensive aviation safety regulations. Perth Airport's management and operation is subject to rigorous oversight by CASA through periodic review of the approved Aerodrome Operations Manual and associated management systems, and audits and inspections.

Perth Airport also works closely with Airservices Australia to ensure air navigation and emergency response capacities at Perth Airport meet regulatory requirements and high community expectations.

In 2008/09 Airservices Australia completed a review of the air traffic routes on approach to and departure from Perth Airport consistent with requirements of CASA.

The resulting modifications to aircraft routes in the vicinity of Perth Airport have been necessary to improve aviation safety, however the resulting change in community exposure to aircraft noise has been a subject of understandable concern.

Perth Airport also works closely with other agencies to develop and test our procedures for dealing with airport emergencies. During 2008/09 these measures were used to manage a number of incidents, none of which resulted in material harm to the public.

Perth Airport's good working relationship with both State and Federal agencies was demonstrated in our response to the H1N1 pandemic. At the request of state health authorities a number of screening measures were implemented for inbound passengers. These were combined with increased cleaning and other measures designed specifically to minimise risk to our staff.

During the year Perth Airport also participated in a range of emergency preparedness exercises to test our systems. These exercises particularly seek to test and improve how Perth Airport and the various State and Federal emergency response agencies work together to manage emergencies.

Safety and Security

Occupational Safety & Health (OSH)

The health and safety of our employees and those of contractors working for our company is of critical importance to our company. Further, how our employees and contractors perform their work can impact the safety of members of the public using Perth Airport.

During 2008/09 we continued to apply our risk management framework to identify and treat risks to employee health and safety.

Our company's approach to managing for safe outcomes is summarised in our 'Safety Management Framework'. Some of the more important elements of our approach include:

- Processes for risk and hazard identification
- Developing Standard Work Procedures for higher risk tasks
- A Drug and Alcohol Management Plan which includes random without notice testing
- Contractors health and safety selection and monitoring processes
- Comprehensive investigation of all material incidents/ accidents.

During the year there were a total of seven lost time injuries experienced by our employees and those of contractors working for our company. While none of these incidents resulted in serious ongoing harm to the injured employees they were unacceptable and avoidable and outcomes from the investigations into them have been used to further reduce risk. There were also several material "near miss" events during the year that have been subject to comprehensive investigation and resulted in modifications to systems and processes to minimise the risk of them recurring.

$47.4 million
was invested in aviation facilities and projects valued at $125.4 million were under construction by the end of the year.

Aviation is an essential service for regional Western Australians. Each week more than 1,200 flights operate between Perth Airport and regional centres to support the State's resources sector.

Beyond 09

AIRPORT REDEVELOPMENT PLANS

Westralia Airports Corporation recognises the importance of undertaking the major redevelopment of Perth Airport to increase capacity and improve customer service.

We have finalised our plans for the redevelopment and are working with airlines to see those plans delivered as soon as possible.

Our Vision for a Consolidated Perth Airport

During the year we finalised our preferred concept plans and phasing to consolidate domestic, regional and international passenger air services into one precinct around the current International Terminal.

Once fully implemented these plans will result in all air services operating from one integrated facility providing passenger convenience and major operating advantages for airlines.

The process of consolidating all operations is a complex one and by necessity must happen in phases.

The first phase of consolidation will occur over the next three years and initial construction has commenced.

Phase 1 of the consolidation will cost over $300m and includes the following major elements.

Terminal WA

We will construct a new Domestic Terminal, located next to the current International Terminal. We have named this new terminal "Terminal WA" because it is being purpose-built to accommodate air services to regional Western Australia. Terminal WA will also support some interstate services.

At a cost of around $120m Terminal WA will have 34 new aircraft parking positions and when completed in early 2012 a number of the airlines operating from the existing Domestic Terminals will relocate to the new terminal.

Not only will Terminal WA provide improved service levels for passengers in the new terminal, the relocation of some airlines to Terminal WA will reduce the level of operations in the current Domestic Terminals by nearly 40%, meaning the customer experience in these existing terminals will also greatly improve.

Construction of the aircraft parking areas for Terminal WA was completed during the year, at a cost of $21m.

Redevelopment of the International Terminal

During the next three years a significant redevelopment of the International Terminal will be completed, which will deliver:

- expanded baggage reclaim, quarantine inspection and arrivals halls;
- 14 additional check-in counters;
- an increase in the number of aircraft boarding gates from 5 to 9, including gates to service the Airbus A380 aircraft; and
- significant expansion of the departures lounge, including new retail areas.

There are 17 international and 15 domestic airlines operating to/from Perth Airport with aircraft ranging from 6 to 452 seats. These airlines fly to 13 international, 9 interstate and 35 intrastate locations.

Beyond 09

AIRPORT REDEVELOPMENT PLANS

On-Airport Public Link Road

We have commenced construction of a $19m public road on the airport linking the international and domestic precincts. When opened in 12 months time, this road will mean that passengers and tenants will no longer have to go out onto the public roads to transfer between the precincts. This new road will reduce the time to transfer between the precincts by around 60%, down to approximately ten minutes. We will also introduce a high quality regular shuttle bus operating on the new road that will offer passengers a reliable service to transfer between precincts.

Continuing to improve the Current Domestic Terminals

During Phase 1 we will continue to make investments to improve the current Domestic Terminals, recognising that these terminals will continue in use until the final phases of consolidation.

Qantas Airways is soon to complete a major redevelopment of the Domestic Terminal Qantas owns and operates at Perth Airport. The total investment made by Qantas Airways and Westralia Airports Corporation in the domestic precinct during the past two years will have exceeded $100m by the end of 2009.

The Final Phases of Perth Airport's Consolidation Plan

The timing of the final phases of the consolidation of Perth Airport will depend on the rate of growth in demand in international and domestic markets. The final phases are expected to see new International Terminal facilities built and the existing International Terminal modified and expanded for domestic operations. The integrated terminal facilities will see international and domestic services sharing some terminal processes, delivering operating efficiencies and considerable passenger convenience.

We currently estimate that the final phases of consolidation will occur five to seven years after Phase 1 is complete, noting the plans can be brought forward if growth exceeds current forecasts.

ARTIST'S IMPRESSION: INTERIOR VIEW, TERMINAL WA

Supporting our local community is important to us. Redcliffe Primary School students undertook aviation history classes as part of the school's community partner program.

Community

- Supporting local communities
- Respecting Indigenous culture
- Strengthening relationships with our stakeholders

Perth Airport has a significant presence in the metropolitan region and provides an essential service to Western Australians. We appreciate that the way in which we operate and grow Perth Airport needs to consider our impact on surrounding communities and the environment.

As a responsible corporate citizen we also seek to support the efforts of others who are dedicated to improving their communities and helping people who are in need.

Through our sponsorships and engagement programs we seek to improve the environment, respect indigenous culture and help local community initiatives.

Land Care & Environment

The protected areas at Perth Airport that we have set aside for permanent conservation amount to 306 ha, which is nearly three-quarters the size of Kings Park.

As well as dedicating significant resources to maintaining and improving these protected areas we invite community members to help us conserve the areas.

Our annual Schools Planting Program involved 19 groups of school children from 12 local schools. Together with teachers, the children planted over 6,000 seedlings on the estate. A Nearer to Nature representative from the Department of Environment and Conservation joined the planting groups to impart knowledge and skills related to Indigenous culture.

Over the winter months we conducted our annual revegetation program within our conservation areas. This year direct seeding was undertaken over 1.6 ha with seed collected from 88 plant species.

The Perth Airport website now includes a dedicated educational site which provides educational modules for teachers, and an opportunity to subscribe to Captain Crews News, a children's newsletter focused on flora and fauna found on the Perth Airport estate.

Indigenous Culture

Most leading archaeologists date aboriginal occupation in the Perth area to around 38,000 years ago. Perth Airport and surrounds are part of a traditional Aboriginal network of communication routes, meeting and camping sites taking in the wider Upper Swan and Helena areas. There is considerable archaeological and ethnographic evidence of the long historic association of the Nyoongar people with the Perth Airport land.

We respect the close association the Nyoongar people have with the land and we greatly appreciated their continued support and assistance during the year.

In our efforts to build community awareness of Indigenous culture we again celebrated NAIDOC week at Perth Airport, taking the opportunity to share aboriginal culture and history with the many visitors to the Airport and with the airport community. The activities undertaken during the week included educational tours and discussions, displays of the works of Aboriginal art students from Central TAFE – Fremantle Campus and providing information postcards to arriving visitors.

During the year we were delighted to enter into a Partnership Agreement with representatives of the Nyoongar people which records how we intend to continue to work together to ensure responsible development of the airport and to promote awareness of Indigenous culture.

We were also pleased to support the City of Belmont Art and Photographic Awards (Indigenous Art Award) again this year with the award winner being Naomi Grant.

Community

This year we also supported the Belmont Business - Indigenous Business of the Year Award, which seeks to inspire indigenous business development.
This year's award winner was Liladara Designs.

Community Support

Helping local groups of people with their efforts to improve their communities and to support people in need are responsibilities that Perth Airport willingly embraces. In 2008/09 we were proud to have worked with the following groups:

- Redcliffe Primary School, for who Perth Airport is a community partner
- The Darling Range Sports College Leadership Challenge
- Youth Focus Ride for Youth
- HBF Freeway Bike Hike for Asthma
- Mission Australia's Christmas Day 'Lunch in the Park'
- Victorian Bushfire Appeal
- City of Belmont's Autumn River Festival
- Cancer Council Australia.

During the year we commenced a new initiative, auctioning items surrendered at passenger security screening points, with proceeds being used to purchase equipment for children undergoing treatment at Princess Margaret Hospital.

Supporting Tourism

We were pleased to continue our close association with Western Australia's tourism industry including support for Tourism WA's West Oz Welcomers Volunteer Program. This popular program involves volunteers providing tourism advice and assistance to visitors arriving at the airport.

Involving & Informing Important Stakeholders

During the year we continued with our efforts to seek input from important stakeholders in our management and development of Perth Airport. Local communities benefit from the airport's services but are also impacted by airport operations. We therefore have a responsibility to seek to minimise our impact and keep communities informed about our plans.
We appreciated the opportunity during the year to continue to attend meetings of the Perth Airports Municipalities Group, which brings together representatives of local Councils in the region whose residents have an interest in Perth Airport. Through this important forum we have been able to gain input and views on behalf of residents and to also keep Council representatives appraised of airport matters that may impact communities.
Three years ago Perth Airport formed the Perth Airport Advisory Board (PAAB) as a further initiative to seek input from key stakeholders. Representatives from local organisations, government and industry associations who attend the PAAB provide important feedback to Perth Airport about our plans and operations.

Community

Participation in the PAAB in 2008/09 included:

Airport Environment Protection & Building Control Office
Australia Post
Australian Hotels Association WA
Board of Airline Representatives of Australia
Chamber of Commerce and Industry of Western Australia
Chamber of Minerals and Energy of Western Australia
City of Bayswater
City of Belmont
City of Perth
City of Swan
Committee for Perth
Department of Infrastructure, Transport, Regional Development and Local Government
Department of Planning
Department of State Development
Federal Member for Swan
Midland Redevelopment Authority
Office of Hon Stephen Smith MP
Perth Region NRM
Property Council of Australia (WA)
Qantas Airways Ltd
Shire of Kalamunda
Singapore Airlines Ltd
Skywest Airlines
Tourism Council WA
Tourism WA
Urban Development Institute of Australia (WA)
WA Local Government Association

We are pleased with the level of investment Qantas is making within their Domestic Terminal to improve all customer touchpoints, including additional aerobridges, security screening and check-in counters.

About Westralia Airports Corporation

Westralia Airports Corporation is the private operator of Perth Airport under a 99 year lease from the Commonwealth of Australia.

Perth Airport occupies an important place in Australia's history as the first capital city to be privatised under the Airports Act 1996 (Cth). The tenure of the lease remains subject to the requirements of the Airports Act 1996 (Cth) and its Regulations. The Australian Competition and Consumer Commission monitors major Australian airports to ensure acceptable standards in areas including access, pricing and customer service.

Perth Airport's core business is the delivery of aeronautical services through the provision of airfield, terminal and ground transport infrastructure and ancillary services.

Ownership

Westralia Airports Corporation is a wholly owned subsidiary of the Airstralia Development Group (ADG) and comprises of the following shareholder structure:

HOLDINGS BY AIRSTRALIA DEVELOPMENT GROUP SHAREHOLDER		
Utilities of Australia Pty Ltd ATF Utilities Trust of Australia (UTA)	55,536,650	38.26%
Hastings Funds Management Ltd AREF Australia Infrastructure Fund (AIF)	43,165,205	29.74%
Utilities of Australia Pty Ltd ATF Perth Airport Property Fund (PAPF)	25,165,252	17.34%
Hastings Funds Management Ltd ATF The Infrastructure Fund (TIF)	6,196,440	4.27%
Westscheme Pty Ltd as trustee of Westscheme (WS)	7,257,985	5.00%
Citicorp Nominees Pty Ltd as custodian for Officers Superannuation Fund (OSF)	4,602,340	3.17%
Colonial First State Private Capital Limited	3,235,819	2.23%
	145,159,691	100%

Hastings Funds Management administers UTA, PAPF, AIF and TIF which represent a combined equity interest of 89.60 per cent. Hastings Funds Management is an Australian company and specialist manager of infrastructure, private equity and high yield investments. The ownership of Perth Airport is heavily weighted towards superannuation fund investors, with UTA, WS and OSF all having a strong superannuation focus. The future retirement capacity of many thousands of Australian employees is therefore closely linked to the ongoing profitability of Perth Airport.

Our Vision

To operate an outstanding airport business providing great customer service.

Our corporate objectives:

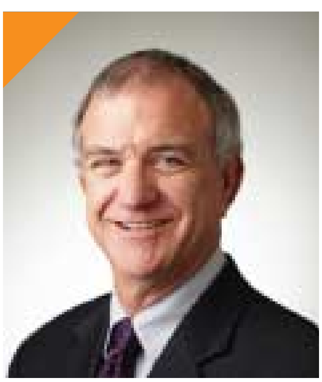
Increase shareholder value by

- ensuring our facilities and services are safe and secure for all
- helping our airline and other business partners develop their business
- meeting the needs of our customers
- conducting our business in a commercially astute manner
- providing our employees with satisfying employment
- conducting operations in an ecologically sustainable manner
- identifying and managing risk
- facilitating travel, trade and industry in Western Australia and
- ensuring we are a responsible and caring corporate citizen.

Board of Directors

Mr David Crawford (Chairman) BCOM (HONS) MA (POL SC)

Appointed as Non-Executive Chairman of the Board in April 2000, Mr Crawford is also President of the National Competition Council, Chairman of Canola Breeders Western Australia Pty Ltd and HRZ Wheats Pty Ltd, and a Director of Grain Foods CRC Ltd. He is Chairman of the Board of Advisors of Curtin University Graduate School of Business. He was previously Corporate Affairs Director of Wesfarmers Limited and held senior executive positions with Ranger Minerals NL, Western Collieries Ltd and CSR Limited. Mr Crawford has been a member and/or Chairman of a number of government and non-government committees in the agriculture and mining industries and has also been a management committee member of both educational and service organisations.



Mr Ron Doubikin AM

Mr Doubikin joined the Board as a Non-Executive Director in August 2001. Mr Doubikin is the owner and Chief Executive of the Doubikin Group of Companies with interests in property, self-storage, hotels and development. He is also an alternate Director of United Super Pty Ltd, a Director of Cbus Property Pty Ltd, and Chairman of a number of private companies including Koala Self Storage Pty Ltd. He is past President of Master Builders Inc. and has served on the Australian Building Code Board and the National Labour Consultative Council. From 1994 to 2002 he was Chairman of the Subiaco Redevelopment Authority.

Mr Alan Dundas BE (HONS), FAUSIMM, GAICD

Mr Dundas joined the Board as a Non-Executive Director in July 2006. He is also Chairman of Barminco Limited. Mr Dundas was previously an Executive Director of WMC Resources Ltd and Deputy Chairman of Horizon Power.

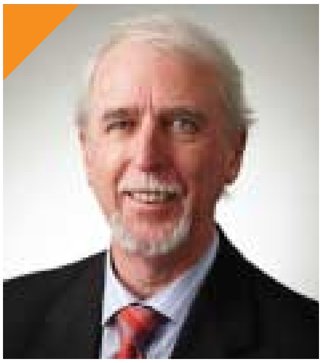
Board of Directors

Mr Alan Good FCA, BCOM

Mr Good was appointed a Director of the Board in July 2006. Mr Good is Chairman of CMA Corporation Limited and of Straits Resources Limited and a non executive director Snap Franchising Limited. Mr Good was formerly a Partner of Pricewaterhouse Coopers and was the Managing Partner of that firm's Perth office for over six years.

Mr Richard Hoskins BCOM, LLB (HONS) UNIVERSITY OF MELBOURNE

Mr Hoskins joined Hastings Funds Management Limited in May 2006 and was appointed as a Director of Perth Airport at that time. Mr Hoskins is a member of Hastings' Management Team with the roles of Head of Unlisted Infrastructure, Joint Chief Operating Officer of Utilities Trust of Australia and Acting Chief Operating Officer of the Infrastructure Fund. Prior to joining Hastings, Mr Hoskins worked with the law firm Mallesons Stephen Jaques for over 16 years, becoming a Partner on 1 January 2000. He specialised in project and infrastructure finance and was one of Perth Airport's principal legal advisers.



Mr Lyndon Rowe BEC (HONS) UNIVERSITY OF ADELAIDE

Mr Rowe is Executive Chairman of the WA Economic Regulation Authority and non-executive chairman of Interstaff Recruitment Limited. Mr Rowe is a member of the Senate of the University of Western Australia and Chair of the University's Audit and Review Committee. He is also the former Chief Executive of the Chamber of Commerce and Industry of WA, a position he held from 1992 to 2004.

Board of Directors

Mr Jeff Pollock

Mr Pollock joined Hastings Fund Management in April 2008 and was appointed as a Director of Perth Airport in May 2008. Mr Pollock is part of Hastings' executive management team and holds the dual role of Head of Listed Infrastructure and Chief Executive Officer of Australian Infrastructure Fund. Prior to joining Hastings, Mr Pollock was part of the senior management team at Prime Infrastructure/Babcock and Brown Infrastructure (BBI) where he was a key member of the leadership team, first as Prime Infrastructure/BBI's Chief Financial Officer and then as Chief Operating Officer for BBI Transport Infrastructure. Mr Pollock's main areas of focus at BBI were the management and operations of infrastructure and utilities in the transport and energy sectors. Mr Pollock also has broad experience in asset management with his role as a Director on a range of BBI subsidiary boards. Mr Pollock holds a Bachelor of Accountancy from the University of Glasgow, and has been a member of the Institute of Chartered Accountants of Scotland since 1988.

Mr Denis Adams

Mr Adams was appointed to the Board in October 2007. Mr Adams is currently a director of the Qantas subsidiary companies, Australian Air Express Pty Ltd. and Star Track Express Pty Ltd. He is also a director of Queensland Airports Limited. Mr Adams has over 40 years experience in the aviation and travel industries. During this time he held several senior executive positions including Chief Executive, Jetset Tours, Chief Executive, Australian Airlines and Executive General Manager Associated Business for Qantas.

The increased presence of low cost airlines flying to Perth has stimulated competition and opened up new destinations for Western Australians.

2009 Executive Management Team on location at the recently completed apron for the soon to be constructed Terminal WA.

EXECUTIVE MANAGEMENT TEAM

Brad Geatches
CHIEF EXECUTIVE OFFICER

Wayne Ticehurst
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Dr Peter Cock
CHIEF OPERATING OFFICER

Graeme Ware
GENERAL MANAGER AIRPORT OPERATIONS

Brett Jackson
GENERAL MANAGER ASSETS

Brian Krause
GENERAL MANAGER AVIATION BUSINESS DEVELOPMENT

Tarita Neal
GENERAL MANAGER HUMAN RESOURCES

Scott Norris
GENERAL MANAGER COMMERCIAL SERVICES

Alana Pham
GENERAL MANAGER CORPORATE AFFAIRS

Guy Thompson
GENERAL MANAGER INTEGRATED PLANNING
& MAJOR PROJECTS

The newly designed food court at the International Terminal includes contemporary seating, new food and beverage options and revitalised branding.

Financials 2009

Contents

Directors' Report

The directors present their report together with the consolidated financial report of Westralia Airports Corporation Pty Ltd for the financial year ended 30 June 2009 and the auditor's report thereon. The financial report of Westralia Airports Corporation Pty Ltd comprises the financial reports of Westralia Airports Corporation Pty Ltd ("the Company" or "WAC") and its subsidiary WAC Investments Pty Ltd, which form the consolidated entity ("the Group" or "consolidated entity").

Directors

The following persons held office as directors during the financial year and up to the date of this report:

Mr David Crawford (Chairman)

Mr Alan Good

Mr Alan Dundas

Mr Ronald Doubikin

Mr Lyndon Rowe

Mr Richard Hoskins

Mr Stephen Vineburg (alternate director resigned 8 August 2008)

Mr Toby Buscombe (alternate director to Mr Rowe resigned 19 August 2008)

Mr Denis Adams

Mr Chris McArthur (resigned 1 April 2009)

Mr Jeff Pollock

Mr Liam Tierney (alternate director to Mr Rowe resigned 12 May 2009)

Mr Alan Wu (appointed alternate director to Mr McArthur 8 August 2008 and resigned 1 April 2009)

Mr Tom Snow (appointed alternate director to Mr Rowe on 12 May 2009)

Ms Miriam Patterson (appointed alternate director to Mr Pollock and Mr Hoskins on 17 September 2008)

Nature of Operations and Principal Activities

The principal activities of Westralia Airports Corporation Pty Ltd during the financial year consisted of the management of Perth Airport and associated retail and property interests.

Corporate Structure

WAC is a proprietary company limited by shares that is incorporated and domiciled in Australia.

WAC's registered address and principal place of business being Level 2, 2 George Wiencke Drive, Perth Airport, WA, 6105.

Share Options

No options over shares in WAC have been granted during the financial year and there were no options outstanding at the end of the financial year.

Significant Changes in the State of Affairs

There were no significant changes in the nature of the activities of the company during the year.

Directors' Report

DIRECTORS' REPORT (CONTINUED)

Dividends

Dividends declared and paid during the year 2009:

	CENTS PER SHARE	TOTAL AMOUNT	FRANKED / UNFRANKED	DATE OF PAYMENT
		$'000		
ORDINARY DIVIDEND	5.16	7,492	Franked	29 June 2009

Franked dividends paid during the year were franked at the rate of 30%.

There have been no dividends declared after balance sheet date.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Review of Operations

The operating profit from continuing operations after tax for the financial year is $15,159m (2008: $60,894m).

Environmental Regulation

WAC is subject to environmental legislation for its land development and operations. This legislation includes:

- Airports Act 1996;
- Airports (Environmental Protection) Regulations 1997;
- Environmental Protection and Biodiversity Conservation Act 1999 (EPBC);
- Environmental Protection Measures (Implement) Act 1998

1. Environment Reporting

An Annual Environmental Report was submitted to the Department of Infrastructure, Transport, Regional Development and Local Government in October 2007 in fulfilment of the requirements under the Airports (Environmental Protection) Regulations 1997. Part of this report covered incidents which may put at risk the quality of air, water, land and vegetation in the airport precinct. National Pollutant Inventory (NPI) reporting was also undertaken under the requirements of the National Environmental Protection Measures (Implement) Act 1998. A report was submitted to the Department of Environment and Conservation in August 2007.

2. Land Development Approvals

All development approvals initiated in the 2008/09 year complied with the Airports Act 1996, the Airports (Environmental Protection) Regulations 1997 and the Environmental Protection and Biodiversity Conservation Act 1999.

3. Environmental Protection

During the year there were no known breaches of the requirements of the Airports (Environmental Protection) Regulations 1997, the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC) or the Environmental Protection Measures (Implement) Act 1998.

Directors' Report

DIRECTORS' REPORT (CONTINUED)

4. Dangerous Goods

Dangerous Goods Licences are required under the Western Australian Dangerous Goods Regulations 1992 for the fuel storage facilities operated by WAC at the airport. All WAC owned facilities are currently licensed in accordance with these Regulations.

5. Incidents

WAC recorded a number of incidents during the 2008/2009 year, none of which were assessed as having serious consequences and/or long-term impact on the environment. Details may be found in the Annual Environmental Report.

6. Non-Compliance Notices / Prosecutions

The Board receives regular reports on compliance with environmental requirements.

Security Management

WAC is responsible for ensuring that the prescribed minimum regulatory standards, as laid down in the Aviation Transport Security Act 2004 and Aviation Transport Security Regulations 2005 are met. In particular this is with respect to airport security, including physical security, access control and counter terrorist first response functions. In order to facilitate this requirement, WAC is responsible for the development of the Airport Security Programme which details security systems, measures and procedures as appropriate. The Board receives regular reports on compliance with security management requirements.

Occupational, Safety and Health Management

WAC recognises the importance of occupational safety and health issues ("OSH") and is committed to the highest levels of performance. To help meet these objectives it has developed an occupational safety and health management system to facilitate the systematic identification of OSH issues and to ensure they are managed in a structured manner. WAC's OSH management system is the sum total of all the processes, procedures, training, activities and culture within the organisation that collectively contribute to establishing, improving, and maintaining occupational safety and health performance.

The policies have been operating for a number of years and allow WAC to:

- Monitor its compliance with all relevant legislation;
- Encourage employees to actively participate in the management of environmental and OSH issues; and
- Encourage the adoption of similar standards by the company's principal suppliers, contractors and distributors.

The Board receives regular reports on compliance with occupational health and safety requirements.

Rounding off

The Company is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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

Directors' Report

DIRECTORS' REPORT (CONTINUED)

Directors and Auditors Indemnification

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings, except for a premium of $60,566 paid to insure directors and officers for any loss, including any costs of legal proceedings, which is not indemnified by the Company and for which the person becomes obligated to pay on account for claims made for wrongful acts committed, attempted or allegedly committed during the period of insurance, to the extent permitted by section 199B of the Corporations Act 2001. Directors, as listed above in this report, are covered under this insurance policy. The officers of the Company covered by the insurance include the directors, executive officers and employees.

Non-audit services

During the year, the company's auditor Ernst & Young performed certain other services in addition to their statutory duties. This is outlined in note 5 and forms part of the Directors' Report for the year ended 30 June 2009.

Matters Subsequent to the End of the Financial Year

The Directors' Report has been prepared on the basis that the Company can continue to meet its commitments as and when they fall due, and can therefore realise assets and settle liabilities in the ordinary course of business. In arriving at this position, management are in the process of refinancing these maturing facilities. The additional funds will be raised with a combination of debt from external banks totalling $740m and subordinated debt from shareholders to the value of $107m over the period to June 2012.

The directors believe that at the date of signing the Directors' Report there is a reasonable expectation that the refinancing will be completed prior to the expiration of the current borrowings on 10 November 2009. This is based on the confirmations received from the banks, all the terms and conditions of the loans have been finalised and approved by their credit committees.

In the interval between the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Signed in accordance with a resolution of the directors.

David Crawford

DAVID CRAWFORD CHAIRMAN
PERTH, WESTERN AUSTRALIA
26 AUGUST 2009

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Westralia Airports Corporation Pty Ltd

In relation to our audit of the financial report of Westralia Airports Corporation for the year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

ERNST AND YOUNG

G. LOTTER.

Partner. Perth, 26 August 2009

Corporate Governance Statement

The Board of Directors

The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance these sometimes competing objectives in the best interests of the company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the company and its controlled entities are properly managed. The Board draws on relevant corporate governance principles, including the following, to assist it to contribute to the performance of the company:

- The Corporations Act (Cth) 2001
- The Company's Constitution
- The Shareholders Agreement
- ASX Principles of Good Corporate Governance
- The Australian Institute of Company Directors – Code of Conduct for Directors

Consistent with better practice in corporate governance, the Board has adopted a Charter, which outlines the functions of the Board and the processes it uses to fulfil its functions and otherwise advance the company's interests. The Charter is reviewed annually by the Board. Day to day management of the company's affairs and implementation of the corporate strategy and policy initiatives are delegated by the Board to the Chief Executive Officer and senior executive team.

The role of the Board is to provide overall strategic guidance for the company and effective oversight of management.

The Board must ensure that the activities of the company comply with its Constitution and the Shareholders Agreement, from which the Board derives its authority to act, and with all legal and regulatory requirements. The Board is the governing body of the Company and establishes, monitors and controls a framework of prudential controls to advance the Company in the interests of the shareholders. The Board ensures that the Company acts in accordance with prudent commercial principles, high ethical standards and otherwise strives to meet shareholder expectations through maximising long-term value.

The responsibilities and functions of the Board include:

- In relation to the position of Chief Executive Officer (CEO) - appointing, evaluating performance, setting remuneration and succession planning.
- In relation to positions reporting to the CEO ("the Executive Team") - reviewing procedures for appointment, monitoring performance, setting remuneration and succession planning.
- Input into, and final approval of, corporate strategy, including setting performance objectives and approving business plans and budgets.
- Reviewing and guiding systems of risk management, internal control, ethical practice and legal compliance.
- Monitoring both corporate performance and implementation of strategies and policies.
- Approving major capital expenditure, leases, acquisitions, divestitures and monitoring capital management.
- Ensuring suitability and integrity of financial and other reporting.
- Ensuring suitability of policies and processes in important areas, including occupational safety and health, environment and legal compliance.
- Enhancing and protecting the reputation of the company.

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Matters which are specifically reserved for the Board, include:

- Appointment and remuneration of the Chair.
- Appointment and remuneration of Directors.
- Establishment of Board Committees and determining their membership and delegated authorities.
- Approval of corporate strategic plans, business plans, budgets and performance objectives of the company.
- Approval of annual accounts, annual report, shareholder distributions and dividends.
- Approval of major capital expenditure, leases, acquisitions, divestitures above authority levels delegated to the CEO.
- Approval of the acquisition or disposal of any company or business.
- Approval of aeronautical and public car park charges.
- Approval of and monitoring compliance with capital management policies.
- Borrowings and the granting of security over, or interests in, the undertaking of the Company or any of its assets.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

Composition of the Board

The composition of the Board is determined by the Shareholder's Agreement and in accordance with the following principles and guidelines:

- the Board should be comprised of a majority of non-executive directors;
- in recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman should be a non-executive director;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet in accordance with the terms of the shareholders agreement and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

To support Board effectiveness and efficiency, the Board has established three committees:

1. Audit Committee;
2. Risk Management Committee; and
3. Remuneration and Appointments Committee.

Terms of Reference for each Committee have been adopted by the Board. The Terms of Reference of Committees and their membership are reviewed annually by the Board by virtue of the annual review of the Charter. Committees do not have power to make decisions or pass resolutions on behalf of the Board. Committees consider matters, report to the Board and where necessary either make recommendations to the Board or endorse management recommendations to the Board.

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The effectiveness of each Committee is reviewed annually by the Board of Directors. This review considers whether each Committee has met its Terms of Reference. The basis of the review is a report prepared jointly by the Committee Chairman and the CEO. In June each year each Committee adopts an Activity Plan for the coming financial year having regard to its Terms of Reference. Committees meet in accordance with their Activity Plans and otherwise on a when required basis determined by the Committee Chairman, in consultation with the CEO.

Audit Committee

The Board of Directors has established an Audit Committee to provide additional oversight of financial risk management, external reporting and the internal control environment. The Audit Committee comprises three Directors nominated by the Board. Two members of the Audit Committee must be present to constitute a quorum.

The Audit Committee consists of the following non-executive directors:

- Mr Alan Good (Chairman);
- Mr Jeffrey Pollock;

On 1 April 2009 Mr Chris McArthur resigned from the Audit Committee.

The Audit Committee exists to undertake additional oversight of financial, accounting and insurance matters on behalf of the Board. The Audit Committee does not have power to make decisions on behalf of the Board. The Chairman of the Audit Committee reports to the Board on matters addressed by the Audit Committee and makes recommendations to the Board on behalf of the Audit Committee.

Matters that the Audit Committee specifically addresses:

- Review and report to the Board on the annual financial report and all other financial information published by the company.
- Assist the Board in reviewing the effectiveness of the organisations' internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting;
  - compliance with applicable laws and regulations; and
  - information technology security and control.
- Oversight of the development and monitoring of the risk management plans for the company's financial assets, financial liabilities and the use of derivatives with respect to those assets and liabilities.
- Oversight of the Company's insurance programme.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence.
- Review the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.
- Approves the appointment and removal of the Internal Auditor.
- Approves the Internal Audit plan, the program of Internal Audit activities and assess the performance of the Internal Auditor.

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Review of all management letters issued by the internal and external auditors and review any significant recommendations by the auditors to strengthen the internal controls and reporting systems of the Company.
- Reviewing and monitoring management's responsiveness to external audit findings.
- Reviewing any changes in accounting policies or practices and subsequent effects on the financial accounts of the Company.
- Any other financial, accounting or insurance matters referred to it by the Board.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and also meets with the external auditors at least three times a year. The external auditors have a clear line of direct communication at any time to the Chairman of the Audit Committee. They are invited to attend committee meetings and receive copies of the relevant papers and minutes.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party. It reviews the annual representation letter from the management on the adequacy, integrity and completeness of the financial systems and financial statements the Board receives.

Risk Assessment and Management Committee

Matters that the Risk Management Committee specifically addresses:

- Adequacy of risk management systems.
- Adequacy of OSH, public safety/security and environment management systems.
- Incidents that have occurred and their implication for the company.
- Legal and other industry developments that may impact the company.
- Reports of internal and external audits/inspections of WAC's OSH, public safety/security and environment systems.
- Any other risk management matters referred to it by the Board.

The following directors are members of the Risk Management Committee:

- Mr Alan Dundas (Chairman);
- Mr Lyndon Rowe (appointed 27 November 2006);
- Mr Richard Hoskins (appointed 26 August 2008);

On 1 April 2009 Mr Chris McArthur resigned from the Risk Assessment and Management Committee.

Remuneration and Appointments Committee

The Board of Directors has established a Remuneration and Appointments Committee to provide additional oversight of the company's approach to remuneration, executive appointment and succession planning. The Remuneration and Appointments Committee comprises a minimum of three Directors nominated by the Board. Two members of the Committee must be present to constitute a quorum.

The following directors are members of the Remuneration and Appointments Committee:

- Mr David Crawford (Chairman);
- Mr Richard Hoskins;
- Mr Lyndon Rowe;

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Remuneration and Appointments Committee exists to undertake additional oversight on behalf of the Board.

The Remuneration and Appointments Committee does not have power to make decisions on behalf of the Board.

The Chairman of the Remuneration and Appointments Committee reports to the Board on matters addressed by the Remuneration and Appointments Committee and makes recommendations to the Board on behalf of the Remuneration and Appointments Committee.

Matters that the Remuneration and Appointments Committee specifically addresses:

- Executive Team organisation structure and roles.
- Role clarity, Key Result Areas and Targets for the CEO and his Executive Team.
- Recruitment to Executive Team positions.
- Suitability of the Company's terms and conditions of employment and form of employment contracting.
- Approval of the parameters for collective agreements (conditions/scope).
- Suitability and application of the Company's management remuneration policies, including Fixed Annual Remuneration, Annual Non-recurrent Performance Pay and Long-term Incentive Plan.
- Succession planning for all managerial and other key roles.

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. Performance based bonuses are paid to senior executives and are based on pre-determined criteria. Performance is then measured against these criteria. During the year, $888,411 of Directors Fees was paid to Directors of WAC in accordance with the Directors Remuneration Scheme entered between the shareholders and WAC.

The WAC Board approved Directors Remuneration Scheme provides for payment of directors fees to directors appointed by shareholders in proportion to the respective shareholding of each shareholder in the parent entity Airstralia Development Group Pty Ltd.

Where shareholders have elected, their representative director receives the proportionate director's fee. If shareholders elect for their representative director not to receive any remuneration, the shareholder receives the proportionate director fee as consideration for the procurement of the representative director.

Capital Management Policy

The Board has adopted a prudent approach to treasury management through the development and approval of a Capital Management Policy. This policy is aimed at promoting greater financial discipline in areas of shareholders distributions, leverage, hedging, liquidity, funding of capital expenditure, debt maturity, refinancing and compliance with senior debt covenants. The Capital Management Policy has established specific targets for Debt Service and Leverage, which are more stringent than those in the company's debt documents, consistent with its objective of maintaining a capital structure and debt coverage levels that are in line with an established, investment grade rated company.

Balance Sheet

AS AT 30 JUNE 2009 — CONSOLIDATED AND PARENT

	NOTES	2009 $'000	2008 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	50,838	19,912
Trade and other receivables	8	32,878	32,162
Inventories - consumables		26	9
Prepayments	9	2,527	317
Derivative financial instruments	16	-	7,933
Other financial assets	10	1,307	506
TOTAL CURRENT ASSETS		87,576	60,839
NON-CURRENT ASSETS			
Prepayments	12	30,950	31,307
Investment properties	13	315,140	290,047
Infrastructure, plant and equipment	14	401,291	319,521
Goodwill	15	443,598	443,598
Other intangible assets	15	11,462	10,245
Derivative financial instruments	16	-	21,862
Deferred tax asset	23	8,015	2,589
TOTAL NON-CURRENT ASSETS		1,210,456	1,119,169
TOTAL ASSETS		1,298,032	1,180,008
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	29,659	22,705
Provisions	18	4,602	4,833
Interest-bearing loans & borrowings	19	404,826	-
Deferred revenue	21	900	814
Derivative financial instruments	22	2,419	-
Income tax payable		20,553	4,681
TOTAL CURRENT LIABILITIES		462,959	33,033
NON-CURRENT LIABILITIES			
Interest-bearing loans & borrowings	19	409,190	697,226
Provisions	20	3,065	3,635
Deferred revenue	21	28,994	25,928
Derivative financial instruments	22	12,983	-
Deferred tax liabilities	23	129,236	148,139
TOTAL NON-CURRENT LIABILITIES		583,468	874,928
TOTAL LIABILITIES		1,046,427	907,961
NET ASSETS		251,605	272,047
EQUITY			
Contributed equity	24	148,065	144,565
Reserves		(10,419)	21,190
Retained earnings		113,959	106,292
TOTAL EQUITY		251,605	272,047

THE ABOVE BALANCE SHEET SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2009		CONSOLIDATED AND PARENT	
	NOTES	2009 $'000	2008 $'000
Revenue from continuing operations	2(a)	209,707	181,189
Net gain / (loss) from fair value of investment properties	2(c)	(39,762)	24,825
Other income	2(c)	-	11
Operating expenses	3(a)	(79,403)	(56,037)
EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTISATION		90,542	149,988
Finance revenue	2(b)	1,540	1,952
Finance expenses	3(b)	(53,471)	(54,396)
Depreciation	3(c)	(14,045)	(12,023)
Amortisation	3(d)	(1,095)	(1,061)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		23,471	84,460
Income tax expense	4	(8,312)	(23,566)
PROFIT FROM CONTINUING OPERATIONS AFTER INCOME TAX		15,159	60,894

THE ABOVE INCOME STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009 — CONSOLIDATED AND PARENT

	NOTES	CONTRIBUTED EQUITY $'000	ASSET REVALUATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000
BALANCE AT 1 JULY 2007 – AS PREVIOUSLY STATED		144,565	-	11,067	56,345	211,977
Prior period correction	(a)	-	-	-	(10,947)	(10,947)
BALANCE AT 1 JULY 2007 - AS RESTATED		144,565	-	11,067	45,398	201,030
Cash flow hedges						
- Effective portion of changes in fair value of cash flow hedges		-	-	13,963	-	13,963
- Ineffective portion of changes in fair value of cash flow hedge		-	-	(13)	-	(13)
		-	-	13,950	-	13,950
Tax effect of cash flow hedges	23	-	-	(4,189)	-	(4,189)
Fair value transfers to investment properties		-	362	-	-	362
Profit attributable to members of entity		-	-	-	60,894	60,894
TOTAL RECOGNISED INCOME / EXPENDITURE FOR THE YEAR		144,565	362	20,828	106,292	272,047
Dividends paid or provided for		-	-	-	-	-
BALANCE AT 30 JUNE 2008		144,565	362	20,828	106,292	272,047
Cash flow hedges						
- Effective portion of changes in fair value of cash flow hedges		-	-	(45,140)	-	(45,140)
- Ineffective portion of changes in fair value of cash flow hedges		-	-	(28)	-	(28)
		-	-	(45,168)	-	(45,168)
Tax effect of cash flow hedges	23	-	-	13,559	-	13,559
Profit attributable to members of entity		-	-	-	15,159	15,159
TOTAL RECOGNISED INCOME / EXPENDITURE FOR THE YEAR		144,565	362	(10,781)	121,451	255,597
Ordinary shares issued	24	3,500	-	-	-	3,500
Dividends paid	6	-	-	-	(7,492)	(7,492)
BALANCE AT 30 JUNE 2009		148,065	362	(10,781)	113,959	251,605

THE ABOVE STATEMENT OF CHANGES IN EQUITY SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

(a) In the current period the Group has identified an error in the determination of the tax base of investment properties. This resulted in the deferred tax liability being understated by $10.947m at 30 June 2008. This error arose in the periods prior to 30 June 2007, consequently the correction has been processed against the comparative periods opening retained earnings, and the comparative balances have been restated.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED AND PARENT

	NOTES	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		211,558	196,424
Cash paid to suppliers and employees		(72,575)	(65,910)
Interest received		1,540	1,952
Income tax paid		(3,211)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	28	137,312	132,466
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles	15	(2,312)	-
Proceeds from sale of investment property, infrastructure, plant and equipment	3, 14	60	64
Purchase of investment property, infrastructure, plant and equipment		(161,475)	(96,796)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(163,727)	(96,732)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	24	3,500	-
Proceeds from borrowings - subordinated shareholder loan	19	31,500	-
Repayment of borrowings - subordinated shareholder loan	19	(47,729)	(40,000)
Proceeds from borrowings - senior debt	19	132,000	68,000
Repayment of TSA onerous contract	20	(1,350)	(1,297)
Proceeds from borrowings - PAPT related party loan	17	510	-
Dividends paid	6	(7,492)	-
Interest paid		(53,598)	(51,618)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		57,341	(24,915)
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,926	10,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		19,912	9,093
CASH AT END OF FINANCIAL YEAR AT THE END OF FINANCIAL YEAR	7	50,838	19,912

THE ABOVE CASH FLOW STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Notes to the consolidated financial statements

Note 1. Significant Accounting Policies

(a) Reporting entity

Westralia Airports Corporation Pty Ltd ("WAC") is a company limited by shares which is incorporated and domiciled in Australia. The consolidated financial statements of WAC as at and for the year ended 30 June 2009 comprise of Westralia Airports Corporation Pty Ltd ("the Company") and its subsidiary WAC Investments Pty Ltd, which form the consolidated entity ("the Group" or "consolidated entity").

(b) Basis of preparation

(i) Going Concern

The Group has a net working capital deficiency of $375.383mat 30 June 2009. This is primarily due to $404.826m of borrowings repayable on 10 November 2009.

The Financial Report has been prepared on the basis that the Group can continue to meet its commitments as and when they fall due, and can therefore realise assets and settle liabilities in the ordinary course of business. In arriving at this position, management are in the process of refinancing these maturing facilities. The additional funds will be raised with a combination of debt from external banks totalling $740m and subordinated debt from shareholders to the value of $107m over the period to June 2012.

The directors believe that at the date of signing the Financial Report there is a reasonable expectation that the refinancing will be completed prior to the expiration of the current borrowings on 10 November 2009. This is based on the confirmations received from the banks, that all the terms and conditions of the loans have been finalised and approved by their credit committees.

Should management not finalise the matters set out above, there is a significant uncertainty whether the Group will continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The Financial Report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

(ii) Statement of compliance

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated Financial Report of the Group and the Financial Report of the Company comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Financial Report was authorised for issue in accordance with a resolution of the directors on 26 August 2009.

(iii) Basis of measurement

The Financial Report has been prepared on the historical cost basis except for the following which are stated at their fair value: derivative financial instruments and investment property.

The methods used to measure fair value are discussed further in note 1(t).

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group and the Company. WAC is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(v) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and 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 circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

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.

Judgements made by management that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(t). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

The impact of some of the new accounting standards and amendments issued but not yet adopted is still being assessed by the directors and are detailed at note 1(v).

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by WAC. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in subsidiaries are carried at cost in the Company's financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in the Income Statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i.i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of the fair value hedge is recognised in the income statement within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the fair value hedge.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to the income statement over the period to maturity.

(i.ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within other income or other expense. Amounts accumulated in equity are recycled in the Income Statement in the period when the hedged item will affect the Income Statement.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(i.iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in finance expenses. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and interest-bearing loans and borrowings. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short- term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables are measured at their cost less impairment losses. The collectability of debts is assessed at reporting date and a specific provision is made for any doubtful advances. Trade and other payables represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured (except for accrued interest on debt instruments) and are usually paid within 30 days of recognition. Trade and other payables are measured at their amortised cost using the effective interest method, less any impairment losses.

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Borrowings are classified as current liabilities unless the company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

(iii) Available-for-sale financial assets

Investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the Income Statement.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Income Statement.

(v) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(vi) Financial guarantee contracts

The Group recognises and measures financial guarantee contracts in accordance with AASB 139 "Financial Instruments: Recognition and Measurement". The Group initially recognises and measures a financial guarantee contract at its fair value. At each subsequent reporting date, the Group measures the financial guarantee contract at the higher of the initial fair value recognised, less when appropriate, the cumulative amortisation recognised in accordance with AASB 118 "Revenue" and the best estimate of the expenditure required to meet the obligations under the contract at the reporting date.

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or capital appreciation or both. Land and buildings, comprising investment properties, are regarded as composite assets and are disclosed as such in the financial statements. Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently measured at fair value at each balance date with any gains or losses arising from a change in fair value recognised in the Income Statement. When the use of a property changes such that it is reclassified as infrastructure, plant or equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting as infrastructure, plant or equipment. Investment properties are not depreciated.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value as per the latest independent valuation that has been recognised in the accounts. If the property occupied by the company as an owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under Prepaid Rent up to the date of change in use. Any increase in the fair value of properties transferred from operational land or buildings is recognised in the asset revaluation reserve. When the Group begins to redevelop an existing investment property for continued future use as

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

investment property, the property remains an investment property, which is measured based on a fair value model, and is not reclassified as infrastructure, plant and equipment during the redevelopment. A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Lease payments are accounted for as described in note 1(p).

(i) Fair Value

Any gain or loss arising from a change in fair value is recognised in the Income Statement. Rental income from investment property is accounted for as described in note 1(l).

(ii) Distinction between investment properties and owner-occupied properties

In applying its accounting policies the Group determines whether or not a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity.

(f) Infrastructure, Plant and Equipment

(i) Recognition and measurement

Items of infrastructure, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in the Income Statement as incurred.

When parts of an item of infrastructure, plant and equipment have different useful lives, they are accounted for as separate items (major components) of infrastructure, plant and equipment.

Property which is classified as owner-occupied is accounted for as infrastructure, plant and equipment and depreciated over its useful life.

(ii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of infrastructure, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including the cost of day-to-day servicing or infrastructure, plant and equipment are recognised in the income statement as an expense as incurred.

(iii) Depreciation and Amortisation

Infrastructure, plant and equipment (including infrastructure assets under lease) have been depreciated using the straight-line method based upon the estimated useful life of the specific assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. No depreciation is charged until the asset has been completed and brought to use. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION AND AMORTISATION RATES USED ARE AS FOLLOWS:	2009	2008
Plant and Equipment	**5.00 – 33.00%**	5.00 – 33.00%
Buildings	**1.01 – 15.00%**	2.50 – 15.00%
Fixed Plant and Equipment	**5.00 – 15.00%**	5.00 – 15.00%
Runways, Taxiways and Aprons	**1.01 – 6.67%**	1.01 – 6.67%
Other Infrastructure Assets	**2.50 – 20.00%**	2.50 – 20.00%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(iv) Leasehold Improvements

Leasehold improvements have been amortised over the shorter of the unexpired period of the lease and estimated useful life of the improvements.

(v) Major Repairs and Maintenance

Major asset maintenance costs incurred on runways, taxiways and aprons are capitalised and are written off over the period between major asset maintenance projects. This recognises that the benefit is to future periods and also apportions the cost over the period of the related benefit.

(vi) Non-Current Assets under Construction

The cost of non-current assets constructed by the company includes the cost of materials used in construction, direct labour on the project and consultancy and professional fees associated with the project.

(vii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any loss is recognised in the revaluation reserve to the extent that an amount is included in a revaluation reserve for that property, with any remaining loss recognised immediately in the Income Statement. Any gain arising on remeasurement is recognised in the Income Statement to the extent the gain reverses a previous impairment loss on that property, with any remaining gain recognised directly in a revaluation reserve in equity.

(viii) Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

(ix) De-recognition and Disposal

An item of infrastructure, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes the cost of acquisition, development costs, and holding costs.

(h) Assets Held for Sale

Assets held for sale comprise of investment properties designated for sale. Assets held for sale are stated at fair value in accordance with the company policy on investment property. They are not amortised or depreciated. Losses arising from changes in the fair value adjustments arising from independent revaluations are charged to the income statement.

(i) Intangibles – Goodwill, Contractual Intangible Assets and Capitalised Master Plan Costs

Intangible assets that are acquired by the Group are measured at cost less accumulated impairment losses. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangibles are amortised on a straight line basis over their estimated useful lives from the date that they are available for use.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Income Statement when incurred.

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Contractual Intangible Assets and Capitalised Master Plan Costs

Contractual intangible assets are assessed to have a finite life and accordingly are amortised over the period of the lease or expiry of the licence where applicable. All fees and costs incurred in the development of the Airport and Property Master Plan have been capitalised and are amortised on a straight-line basis over 5 years. This represents the statutory period over which the master plan is required to be prepared. Contractual intangible assets and capitalised master plan costs are reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired. Write-downs arising from impairments are charged to the Income Statement.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. The amount of the impairment loss is the carrying amount of the receivable compared to the present value of estimated future cash flows, discounted at the original effective interest rate. All impairment losses are recognised in the Income Statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the Income Statement.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(iii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

(l) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and rebates. Revenue recognised in the income statement when the significant risks, rewards of ownership and effective control has been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return, or there is continuing managerial involvement to the degree usually associated with ownership.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Specific revenue recognition criteria are as follows:

(i) Aeronautical charges comprises landing fees and terminal charges, based on the maximum take-off weight of aircraft or passenger numbers on aircraft, and a security charge for the recovery of costs incurred as a result of government mandated security requirements.

(ii) Trading comprises concessionaire rent and other fees received.

(iii) Ground transport services comprise the operation of public and leased car parks, car rental concessions, ground transport services and traffic management.

(iv) Property revenue comprises income from owned terminals, buildings, and long-term leases of land and other leased assets. Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Rental income not received at reporting date, is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income. Lease incentives provided by the Group to lessees, and rental guarantees which may be received from third parties (arising on the acquisition of investment property) are excluded from the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight line basis, or a basis which is representative of the pattern of benefits.

(v) Recharge property service costs comprise recharged service and utility expenditure.

(vi) Interest revenue comprises earnings on funds deposited with financial institutions and recognition is based on the effective interest rate method.

(m) Deferred Revenue

Rentals received in advance for investment properties leased to tenants under long term operating leases are credited to a deferred revenue account and released to the income statement on a straight line basis over the lease term Rentals received in advance for investment properties leased to tenants under long term finance leases are recognised upfront in the period when all attaching conditions pursuant to the sale transaction have been satisfied.

(n) Finance income and expenses

Finance income comprises interest income on funds invested, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss that do not qualify for hedge accounting, and impairment losses recognised on financial assets. All borrowing costs are recognised in the Income Statement using the effective interest method.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee Benefits

(i) Defined contribution superannuation funds

The company meets its superannuation guarantee and enterprise bargaining obligations for employees' superannuation through contributions to resident complying accumulation superannuation funds selected by employees. If an employee makes no choice, then those contributions are sent monthly to the resident complying superannuation scheme operated by Westscheme Pty Ltd. Company contributions to these defined contributions plans are charged against profits as incurred.

Obligations for contributions to defined contribution plans are recognised as personnel expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(p) Lease Payments

(i) Prepaid Rent - Operational Land

Under AASB 117 "Leases", upfront payments for operational land under lease are recognised as Prepaid Rent in the Balance Sheet, with the gross value amortised over the period of the lease (including the optional renewal term) on a straight line basis. Refer to Note 1(m).

(ii) Operating leases

Payments made under operating leases are recognised in Income Statement on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense and are recognised on a straight line basis over the term of the lease.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Finance leases

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(q) Income taxes

(i) WAC

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(ii) Tax Consolidation

ADG is the head entity of the tax-consolidated group which comprises of ADG and its 100% owned Australian resident subsidiaries consisting of WAC and WAC Investments Pty Ltd. The implementation date of the tax consolidated system for the tax consolidated group was 1 July 2003.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a stand-alone taxpayer approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in WAC's

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

balance sheet and their tax values applying under tax consolidation. Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by ADG as an equity contribution to, or distribution from the subsidiary.

ADG recognises deferred tax assets arising from unused tax losses or the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only. The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity.

(iii) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Finance Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Operating Leases

Leases in which the company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Properties subject to operating leases are classified as investment properties.

(s) Contributed Equity

Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Distributions on ordinary shares are recognised as a liability in the period in which they are declared.

(t) Determination of fair values and areas of estimation uncertainty

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about determining fair values, information about areas of estimation uncertainty and critical judgements in applying accounting policies are disclosed in the notes specific to that asset or liability.

(i) Infrastructure, plant and equipment

The fair value of infrastructure, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Intangible assets

The fair value of intangibles assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

Investment land is valued at market value and an Optimised Depreciated Replacement Cost ("ODRC") method has been adopted to value the investment buildings at balance date.

The ODRC measures the cost of replicating the airport assets in the most effective way possible based on considerations of technology (and engineering), service capability and age. The valuation is the sum of values of individual asset groups on the basis that these assets are adequate to provide the service potential required, rather than reflecting assets in place, which may replace old technology, excessive engineering etc.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ODRC is calculated on the gross replacement cost of modern equivalent assets, adjusted for over design, over capacity and redundant assets (and/or major periodic maintenance, where appropriate) and taking into account the assets total estimated use for life and residual value. The ODRC measures the minimum cost of replacing or replicating the service potential with modern equivalent assets in the most efficient way practicable, given the service requirements, the age and condition of the existing assets and replacement in the normal course of business.

Market value is used to value investment land. In order to determine appropriate land values for the valuation, Knight Frank have researched and investigated recent market evidence.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(v) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vii) Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

(u) Rights and Obligations in Accordance with the Airport Lease

In 1997 Westralia Airports Corporation Pty Ltd ("WAC") successfully acquired a 50-year lease and 49-year option, for a lump sum consideration of $639m, with no further consideration payable for the exercise of the option over Perth Airport. The key legislative and regulatory requirements that relate to the operations of the airport are the Airport Lease, Airports Act and Treasurers Direction.

(i) Airport Lease

Major features of the Airport Lease:

(i) Initial Airport Lease term 50 years with the ability to extend for a further 49 years at WAC's option.

(ii) Consideration for the grant of the Airport Lease has been paid upfront by way of a premium and is not subject to any refund should the Airport Lease subsequently be terminated.

(iii) Airport Lease releases the Commonwealth from any environmental liability that may arise out of action prior to the sale.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) WAC accepts full and sole responsibility for operation, repair and maintenance and management of the Airport site and structures.

(v) The Commonwealth has the right to step in and run the Airport or terminate the Airport Lease, each in certain circumstances. Appropriate grace periods and step in rights, including for lenders have been negotiated by way of a Tripartite Agreement to protect the Airport Lease as a fundamental security for lenders. Should the Airport Lease be terminated, compensation provisions are set out in the Tripartite Agreement to provide lenders with either the net value of the Airport Lease proceeds (after all costs and operating liabilities) received if another Airport Lease is subsequently granted elsewhere, or payment of the independent market value for the Airport Lease (again after all costs and operating liabilities) if the Commonwealth decides not to grant a new Airport Lease to another party. The Tripartite Agreement currently expires in July 2017.

(vi) The termination provisions of the Lease will not apply if a Force Majeure event has occurred and WAC is taking all reasonable steps to overcome the prevention to perform obligations which the Force Majeure event causes.

(vii) At the end of the Lease, all land and buildings (including any improvements) revert back to the Commonwealth for nil consideration. The Commonwealth has an option to buy back other specified assets (e.g. trucks, accounting systems etc) at market value.

(ii) Airports Act

The Airports Act regulates, inter alia, the following:

(i) The rules for granting the Airport Lease to the successful bidder.

(ii) The rules relating to the management and operations of the airport (e.g. type of business, control of sub-leases, and the establishment of an airport Master Plan).

(iii) Ownership and cross-ownership restrictions for the airports (e.g. there is a 49% foreign ownership limit), change in ownership, head office location, and directors of the Airport Lessee.

(iv) The rules for controlling certain airport activities (e.g. the sale of liquor and commercial trading).

(v) The rules relating to the protection of air space around airports, and

(vi) The rules relating to air traffic, rescue and fire fighting services at the airports.

(vii) Obligations imposed by the Airports Act include the following:

- A Major Development Plan must be prepared and approved by the Minister in respect of future significant airport development (e.g. construction of a new runway)
- Building Controls will apply to all building activity on the airport sites, such activity to be consistent with the Master Plan and Major Development Plans
- A five year Environmental Strategy must be prepared and approved by the Minister, and
- Audited financial accounts are to be provided to the Australian Competition and Consumer Commission.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Treasurers Direction

Pursuant to section 29 of the Trade Practices Act:

(i) The ACCC is to undertake formal monitoring of the prices, costs and profits related to the supply of aeronautical services of WAC.

(ii) Aeronautical services are limited to:

- Aircraft related facilities and activities, and
- Passenger related facilities and activities

(iii) The facilities and activities referred to above do not include the provision of service which on the date the airport lease was granted was the subject of a contract, lease, licence, or authority given under the common seal of the Federal Airports Corporation (e.g. Qantas terminal lease).

The Productivity Commission conducted a review in 2006/07 to examine the effectiveness of the current regulatory regime for the pricing of airport services and to advise on any changes that should be made to the regime. No major changes were announced as a result of the review. The Government considered the findings of the Productivity Commission and has decided to adopt one consolidated definition of aeronautical services and facilities, with a slight change to the scope of such facilities, and to continue the current approach to monitoring of the prices, costs and profits of aeronautical services at Perth Airport for a further period of 6 years.

(v) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2009. These are outlined in the table opposite.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB INT. 15	Agreements for the Construction of Real Estate	This Interpretation requires that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	To be assessed	1 July 2009
AASB INT. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	Nil, no investment in foreign operations, no foreign JV's, associates or branches.	1 July 2009
AASB INT. 17 AND AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	Unlikely to have an impact as the entity does not have customers who enter into such transactions.	1 July 2009
AASB INT. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'. Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	To be assessed.	1 July 2009
AASB 8 AND AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	To be assessed.	1 July 2009
AASB 1039 (REVISED)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements.	1 January 2009	Not expected to be material	1 July 2009
AASB 123 (REVISED) AND AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	Yet to be assessed.	1 July 2009
AASB 101 (REVISED), AASB 2007-8 AND AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	To be assessed.	1 July 2009

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	No share based payment schemes – nil impact.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	To be assessed.	1 July 2009
AASB 3 (REVISED)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	To be assessed.	1 July 2009
AASB 127 (REVISED)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	To be assessed.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	To be assessed	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	To be assessed.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	To be assessed.	1 July 2009

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Not expected to be material.	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	To be assessed.	1 July 2009
ASB 2008-9**	Amendments to AASB 1049 for consistency with AASB 101	Reflects the revised requirements of AASB 101 and AASB 2007-8 with clarification to apply the requirements in a government context.	1 January 2009	Not applicable.	1 July 2009
AASB 2009-1**	Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]	This Standard amends AASB 123 to reintroduce the option to expense borrowing costs in the period in which they are incurred. Subject to the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting, an entity would therefore be able to choose whether it expenses or capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. AASB 111 is also amended to specify that costs that may be attributable to contract activity in general and that can be allocated to specific contracts include borrowing costs only when the contractor capitalises borrowing costs in accordance with AASB 123.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009	Not applicable.	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	To be assessed.	1 July 2009

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	To be assessed.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	To be assessed.	1 July 2010
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	To be assessed.	1 July 2009
AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS***	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: the scope of AASB 2; and the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010		1 July 2010

* designates the beginning of the applicable annual reporting period unless otherwise stated

** only applicable to not-for-profit / public sector entities

*** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB. Entities must disclose the impact of these pronouncements in order to make the statement of compliance with IFRS under AASB 101.14. For-profit public sector entities may not be required to disclose the impact of IASB and IFRIC pronouncements if they have applied an Australian Accounting Standard, which is inconsistent with IFRS requirements under AASB 101. Aus14.2. Not-for-profit entities need not comply with AASB 101.14 and are not required to disclose the impact of IASB and IFRIC pronouncements under AASB 101.Aus14.3

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 2. Revenues

	NOTES	2009 $'000	2008 $'000
(A) REVENUE FROM CONTINUING OPERATIONS			
Aeronautical charges		**79,088**	73,272
Trading revenue		**34,264**	32,600
Ground transport services		**40,778**	34,151
Investment property rentals		**35,105**	25,984
Property services		**19,480**	14,260
Other revenue		**992**	922
		209,707	181,189
(B) FINANCE REVENUE			
Interest		**1,540**	1,952
(C) OTHER INCOME			
Fair value gain/ (loss) adjustment to investment property	13	**(39,762)**	24,825
Other income		**-**	11
		(39,762)	24,836

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 3. Expenses

	NOTES	2009 $'000	2008 $'000
(A) OPERATING EXPENSES			
Employee expenses excluding superannuation		19,120	17,850
Defined contribution superannuation expense		1,926	1,453
Services and utilities		40,825	33,256
Other office overheads		11,394	10,530
Technical services fee		25	(11,529)
Allowance for doubtful debts	8	493	(5)
Maintenance expenses		5,233	4,134
Prepaid rent	12	357	347
Other expenses		30	-
		79,403	56,037
(B) FINANCE EXPENSES			
Interest expense			
- Primary debt holders		44,781	40,266
- Subordinated shareholder loan		7,790	12,933
- Other		900	1,197
Total Finance expenses		53,471	54,396
(C) DEPRECIATION			
Plant and equipment		1,465	1,433
Leased: Buildings		4,030	3,741
Fixed plant and equipment		3,510	2,653
Runways, taxiways and aprons		2,076	1,991
Other infrastructure		2,964	2,205
Total Depreciation	14	14,045	12,023
(D) AMORTISATION			
Capitalised master plan costs		99	99
Intangible assets		996	962
Total Amortisation	15	1,095	1,061

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 4. Income Tax Expense

	NOTES	2009 $'000	2008 $'000
The major components of income tax expense are:			
Income Statement			
Current income tax charge		20,553	4,733
Adjustments in respect of current income tax of previous years		(1,471)	(52)
Deferred income tax*	23	(10,770)	18,885
Income tax expense reported in income statement		8,312	23,566
**Relating to origination and reversal of temporary differences*			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the applicable income tax rate is as follows:			
Accounting profit before income tax from continuing operations		23,471	84,460
At the statutory income tax rate of 30% (2008: 30%)		7,041	25,338
Prior period adjustments of income tax of previous years		2,531	(52)
Non-deductible / (non-assessable) items		(1,260)	(1,720)
Income tax expense reported in income statement		8,312	23,566
Statement of changes in equity			
Deferred income tax related to items charged or credited directly to equity:			
Current income tax related to items charged or credited directly to equity in respect of net gain on revaluation of cash flow hedges	23	(13,559)	4,189
Income tax expense / (benefit) reported in equity		(13,559)	4,189

Tax consolidation and tax funding arrangement

Refer to Note 1 (q) for information on tax consolidation group and tax funding arrangements.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 5. Auditors' Remuneration

The auditor of Westralia Airports Corporation is Ernst & Young.

	2009 $	2008 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• An audit or review of the financial report of the entity and any other entity in the company	148,493	117,590
• Other services in relation to the entity and any other entity in the company		
- tax compliance	77,035	66,955
	225,528	184,545

Note 6. Dividends paid and proposed

Dividends declared and paid during the year 2009:

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED / UNFRANKED	DATE OF PAYMENT
Final ordinary dividend	5.16	7,492	Franked	29 June 2009

Franked dividends paid during the year were franked at the rate of 30%. There have been no dividends declared after balance sheet date.

Franking credit balance

	2009 $	2008 $
The amount of franking credits available for the subsequent financial year are:		
Franking account balance at the end of the financial year at 30%	-	-
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	8,808,465	3,210,684
Franked dividend paid – final 2008 ordinary dividend	-	(3,210,684)
The amount of franking credits available for future reporting periods	8,808,465	-

Note 7. Cash and Cash Equivalents

	2009 $'000	2008 $'000
Cash at bank and in hand	50,838	19,912

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and financial liabilities are disclosed in note 25.

Note 8. Trade and Other Receivables

	NOTES	2009 $'000	2008 $'000
Trade receivables		26,996	21,245
Allowance for impairment loss	3, (a)	(493)	-
		26,503	21,245
Goods and services tax		1,734	1,549
Accrued revenue		3,917	9,259
Other receivables	(b)	724	109
		32,878	32,162

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and financial liabilities are disclosed in note 25.

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 day terms. An allowance for impairment losses is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $0.493m (2008: $nil) has been recognised by the company in the current year.

Movements in the allowance for impairment losses were as follows:

	2009 $'000	2008 $'000
At 1 July	-	10
Allowance amounts written back as collectible	-	(10)
Charge for the year	(493)	-
At 30 June	(493)	-

At 30 June the ageing analysis of trade receivables is as follows:

	TOTAL $'000	0-30 DAYS $'000	0-30 DAYS CI* $'000	31-60 DAYS PDNI* $'000	31-60 DAYS CI* $'000	61-90 DAYS PDNI* $'000	61-90 DAYS CI* $'000	+91 DAYS PDNI* $'000	+91 DAYS CI* $'000
2009	26,996	17,385	64	5,801	83	1,901	78	1,416	268
2008	21,245	19,992	-	106	-	336	-	811	-

* Past due not impaired (PDNI)
* Considered impaired (CI)

Trade receivables past due but not impaired are $9.118m (2008: $1.253m). Payment terms on these amounts have not been renegotiated however there is no recent history of default. The consolidated entity has been in direct contact with the relevant debtors and is satisfied the payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Other debtors generally arise from transactions outside the usual operating activities of the company and are non-interest bearing.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 9. Prepayments

	NOTES	2009 $'000	2008 $'000
Refinancing establishment cost	(a)	2,261	-
Other		266	317
		2,527	317

(a) Refer to note 19(c) for further details on the capital raising and refinancing.

Note 10. Other Financial Assets

	2009 $'000	2008 $'000
Security bonds	537	506
Operating lease receivable	770	-
	1,307	506

Note 11. Investment in Subsidiary

The company holds 100% of the ordinary shares in WAC Investments Pty Ltd. The company is incorporated in Australia and does not trade and holds no assets or liabilities. Accordingly, the Directors are of the opinion that the investment be valued at a nil cost (2008: nil).

Note 12. Prepayments - Prepaid Rent

	NOTES	2009 $'000	2008 $'000
Carrying amount 1 July		31,307	30,166
Portion expensed during the year	3	(357)	(347)
Transfers to investment land	13	-	(73)
Transfers from investment land	13	-	1,561
Carrying amount 30 June		30,950	31,307

Upfront payments for operational land under lease are recognised as Prepaid Rent and the gross value is amortised over the period of the lease (including the option renewal term) on a straight line basis.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 13. Investment Properties – at Valuation

	NOTES	2009 $'000	2008 $'000
LAND - AT VALUATION			
Carrying amount 1 July		218,882	201,970
Transfers to investment land	12	-	73
Transfers to operational land	12	-	(1,561)
Repurchase of premium lease		1,239	-
Revaluation increments/(decrements)	2(c)	(56,301)	18,400
Carrying amount 30 June		163,820	218,882
BUILDINGS - AT VALUATION			
Carrying amount 1 July		71,165	38,783
Transfers – new buildings at cost	14	63,616	26,951
Transfers – operational buildings		-	759
Revaluation increments	2(c)	16,539	4,672
Carrying amount 30 June		151,320	71,165
TOTAL INVESTMENT PROPERTIES AT VALUATION		315,140	290,047

The Company engaged Knight Frank (licensed valuers) to provide an independent valuation of its Land and Buildings. Investment Land was valued at fair value, while an Optimised Depreciated Replacement Cost (ODRC) method was adopted to value the Investment Buildings at balance date. Fair value adjustments arising from the independent valuation are recognised through the Income Statement. Knight Frank has considered market conditions and changes in their assessment of investment property values.

The fair value represents the amount at when the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the date of the valuation.

Leasing arrangements

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:

	2009 $'000	2008 $'000
Minimum lease payments receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	49,353	68,782
Later than one year but not later than 5 years	170,396	257,520
Later than 5 years	360,604	185,554
	580,353	511,856

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 14. Infrastructure, Plant and Equipment

In the 2003/04 financial year, WAC engaged Knight Frank and Opus NZ (licensed valuers) to provide an independent valuation for leased land, buildings, runways, taxiways, and aprons, other infrastructure, plant and equipment as at 30 June 2004. An Optimised Depreciated Replacement Cost (ODRC) method was adopted to value the various assets given the specialised nature of assets held and therefore the limited market for re-sale. WAC adopted the valuation for all classes of assets at 30 June 2004. This valuation was adopted as the cost under the provisions of the Australian Equivalents to International Financial Reporting Standards.

Information relating to security over assets is set out in note 19(c).

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 14. INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)

		INFRASTRUCTURE ASSETS UNDER LEASE						
	PLANT AND EQUIPMENT	BUILDINGS	FIXED PLANT AND EQUIPMENT	RUNWAYS, TAXIWAYS AND APRONS	OTHER INFRASTRUCTURE	TOTAL INFRASTRUCTURE ASSETS UNDER LEASE	ASSETS UNDER CONSTRUCTION	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROSS CARRYING VALUE AT COST - 1 JULY 2008	11,375	92,710	37,009	71,751	80,095	281,565	68,588	361,528
Additions	-	-	-	-	-	-	159,521	159,521
Transfers - capitalised work in progress	1,233	7,397	11,684	24,536	24,539	68,156	(69,389)	-
Transfers - asset class/investment properties	-	-	-	-	-	-	(63,616)	(63,616)
Disposals	(176)	-	-	-	-	-	-	(176)
Gross Carrying Value - 30 June 2009	12,432	100,107	48,693	96,287	104,634	349,721	95,104	457,257
ACCUMULATED DEPRECIATION - 1 JULY 2008	5,318	14,130	7,642	7,868	7,049	36,689	-	42,007
Depreciation charge for the year	1,465	4,030	3,510	2,076	2,964	12,580	-	14,045
Transfers - asset class/investment properties	-	-	-	-	-	-	-	-
Disposals	(86)	-	-	-	-	-	-	(86)
ACCUMULATED DEPRECIATION - 30 JUNE 2009	6,697	18,160	11,152	9,944	10,013	49,269	-	55,966
CARRYING VALUE 1 JULY 2008	6,057	78,580	29,367	63,883	73,046	244,876	68,588	319,521
CARRYING VALUE 30 JUNE 2009	5,735	81,947	37,541	86,343	94,621	300,452	95,104	401,291

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 14. INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)

		INFRASTRUCTURE ASSETS UNDER LEASE						
	PLANT AND EQUIPMENT	BUILDINGS	FIXED PLANT AND EQUIPMENT	RUNWAYS, TAXIWAYS AND APRONS	OTHER INFRASTRUCTURE	TOTAL INFRASTRUCTURE ASSETS UNDER LEASE	ASSETS UNDER CONSTRUCTION	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROSS CARRYING VALUE AT COST - 1 JULY 2007	8,653	86,875	32,885	56,107	64,634	240,501	43,556	292,710
Additions	-	-	-	-	-	-	96,796	96,796
Transfers - capitalised work in progress	2,868	6,740	4,124	15,644	15,461	41,969	(44,837)	-
Transfers - asset class/investment properties	-	(905)	-	-	-	(905)	(26,951)	(27,856)
Disposals	(146)	-	-	-	-	-	24	(122)
GROSS CARRYING VALUE - 30 JUNE 2008	11,375	92,710	37,009	71,751	80,095	281,565	68,588	361,528
ACCUMULATED DEPRECIATION - 1 JULY 2007	3,980	10,535	4,989	5,878	4,841	26,243	-	30,223
Depreciation charge for the year	1,431	3,741	2,653	1,990	2,208	10,592	-	12,023
Transfers - asset class/investment properties	-	(146)	-	-	-	(146)	-	(146)
Disposals	(93)	-	-	-	-	-	-	(93)
ACCUMULATED DEPRECIATION - 30 JUNE 2008	5,318	14,130	7,642	7,868	7,049	36,689	-	42,007
CARRYING VALUE 1 JULY 2007	4,673	76,340	27,896	50,229	59,793	214,258	43,556	262,487
CARRYING VALUE 30 JUNE 2008	6,057	78,580	29,367	63,883	73,046	244,876	68,588	319,521

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 15. Goodwill and Other Intangible Assets

	NOTES	2009 $'000	2008 $'000
GOODWILL	(a)	443,598	443,598
CAPITALISED MASTER PLAN COSTS			
Opening balance		496	496
Intangibles capitalised		1,540	-
Gross carrying value 30 June		2,036	496
Accumulated amortisation 1 July		372	273
Amortisation	3(d)	99	99
Accumulated amortisation 30 June		471	372
Net carrying value at 30 June	(b)	1,565	124
OTHER INTANGIBLE ASSETS			
Opening balance		20,669	20,669
Software licenses acquired		772	-
Gross carrying value 30 June		21,441	20,669
Accumulated amortisation 1 July		10,548	9,586
Amortisation	3(d)	996	962
Accumulated amortisation 30 June		11,544	10,548
Net carrying value at 30 June	(b)	9,897	10,121
TOTAL OTHER INTANGIBLE ASSETS		11,462	10,245

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 15. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) The company operates in one business segment and provides and operates airport facilities at Perth, WA, Australia. The goodwill relates to the original acquisition of the airport and therefore any allocation below the company level would be very arbitrary. Accordingly, the company as a whole is the cash generating unit used to evaluate the recoverable amount of goodwill.

The recoverable amount is determined based on fair value less costs to sell. Fair value is calculated using a long term valuation model which forecasts the cash flows to shareholders. Key assumptions in the financial model are reviewed at least annually with senior management as part of the budget process and are summarised as follows:

- Passenger numbers are forecast by Tourism Futures International ("TFI"), who provide "Central", "Low" and "High" traffic scenarios. The "Central" scenario is adopted for the financial model. In addition to the total passenger numbers, other forecast information is provided to assist in identifying capacity requirements.
- Capital expenditure is forecast based on the traffic forecasts provided by TFI and the company's Asset Replacement Programme. The Master Plan, prepared every five years also provides guidance as to the requirement and timing of capital expenditure.
- Operating revenue assumptions are based on the current regulatory regime for aeronautical revenue and on current trading conditions for revenue streams that are largely dependent on passenger numbers such as car parking and retail operations within the passenger terminals. These assumptions are adjusted for expected changes in trading conditions resulting from capital expenditure or external factors expected to occur in the future. Rental revenue is based on the current rent portfolio, with growth assumptions based on provisions within the key lease contracts.
- Property development revenue is based on a roll out of the surplus land that is not required for aviation purposes.
- Operating expenditure assumptions are based on the budget and extrapolated using a range of factors including forecast CPI, wage growth based on the Enterprise Bargaining Agreement, increases in staff numbers as the operation expands.
- The discount rate is reviewed annually in conjunction with WAC shareholders. The discount rate range that was applied to cash flow projections was 12.6% to 13.3% (2008: 13.6% to 14.3%).

Management has carried out calculations to test for impairment of goodwill and is of the opinion that no impairment of goodwill has existed since acquisition and it is appropriate to continue to carry goodwill forward at the same value it was initially booked on acquisition. Management are also of the opinion that there is sufficient buffer in the valuation of the goodwill and it would be unlikely that it would be impaired in a worst case scenario e.g. in a "low" traffic scenario.

(b) Impairment tests for other intangible assets

Other intangible assets are amortised over the period of the lease or expiry of the licence where applicable. Management are of the opinion that no further write-down of these assets is required as the company anticipates continuing to earn revenue at current rates from rental leases in the future and that future benefits will also continue to be generated from licences acquired.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 16. Derivative Financial Instruments - Assets

	2009 $'000	2008 $'000
CURRENT ASSET		
Interest rate swap contracts - cash flow hedges	-	7,933
NON-CURRENT ASSET		
Interest rate swap contracts - cash flow hedges	-	21,862
	-	29,795

At 30 June 2009, the derivative financial instruments are classified as a liability. Refer to note 22.

Note 17. Trade and Other Payables

	NOTES	2009 $'000	2008 $'000
Trade payables - unsecured		**12,104**	5,984
Bank debt interest payable		**1,462**	883
Term facility interest payable		**1,549**	1,719
Bond Issue 7 Years interest payable		**847**	830
Bond Issue 10 Years interest payable		**2,005**	1,965
Subordinated debt interest payable	30	**847**	2,252
Payable to related parties		**157**	203
Payable to PAPT	(a)	**612**	102
Other creditors - unsecured		**8,071**	6,881
GST clearing accounts		**2,005**	1,886
		29,659	22,705

Trade payables are non-interest bearing and are normally settled on 30 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. Information regarding interest rate and liquidity risk is set out in note 25.

(a) Amounts payable to the Perth Airport Property Trust (PAPT) are in respect of transactions made on behalf of the Trust. No interest is charged on the current account and balances are normally settled on 30 day terms. Refer to note 30.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 18. Current Provisions

	NOTES	2009 $'000	2008 $'000
ONEROUS CONTRACT			
Opening balance		1,684	1,639
Discount adjustment		-	(16)
Payments		(1,350)	(1,297)
Transfer from non-current portion	20	818	1,358
Balance at 30 June		1,152	1,684
ANNUAL LEAVE			
Opening balance		1,439	1,231
Additional provisions raised during the year		1,210	860
Amounts utilised		(954)	(652)
Balance at 30 June		1,695	1,439
LONG SERVICE LEAVE			
Opening balance		1,710	1,691
Additional provisions raised / (reversed) during the year		346	(76)
Amounts utilised		(142)	(43)
Transfer from / (to) non current potion	20	(159)	138
Balance at 30 June		1,755	1,710
TOTAL		4,602	4,833

WAC recognised an onerous contract for the present value of the future payments required under the technical services agreement to the Port of Portland Holdings. Refer to note 30.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 19. Interest-bearing loans & borrowings

	NOTES	2009 $'000	2008 $'000
CURRENT BORROWINGS			
Secured			
Bank loans	(i)	224,944	-
Term facility	(ii)	179,882	-
TOTAL CURRENT INTEREST-BEARING LOANS & BORROWINGS		404,826	-
NON-CURRENT BORROWINGS			
Secured			
Bank loans	(i)	-	92,793
Term facility	(ii)	-	179,557
Bond Issue - 7 Years	(iii)	99,280	99,115
Bond Issue - 10 Years	(iv)	237,962	237,685
		337,242	609,150
UNSECURED SUBORDINATED			
Shareholder loans	(v)	64,427	64,326
Subordinated shareholder loans	(v)	7,521	23,750
		71,948	88,076
TOTAL NON-CURRENT INTEREST-BEARING LOANS & BORROWINGS		409,190	697,226

(a) Terms and conditions of interest bearing loans & borrowings:

(i Bank loans represent drawings on the capital expenditure facility net of transaction costs. The Capital Expenditure Facility is an interest only facility with the principal payable on maturity on 10 November 2009. Interest is payable quarterly. The interest rate on the overdraft is BBOR plus a margin whilst the interest rate on the liquidity facility is the bank bill rate plus a margin. Of the amount outstanding at 30 June 2009, $150m is hedged at an interest rate of 5.47%.

At balance date the overdraft and liquidity facility remain undrawn. These facilities also expire on 10 November 2009. The effective interest rate charged on the capital expenditure facility was 3.385% (2008: 7.8845%), being the 3-month bank bill rate plus a margin dependant on the DSCR.

(ii) The Term facility, placed in November 2006, is represented by a $180m bank loan facility and is net of transaction costs. The term facility is an interest only facility with the principal payable on maturity on 10 November 2009. Interest is payable quarterly. $150m of the facility is hedged for interest rate risk (see note 22). The effective interest rate on the $150m hedged portion was 6.8250%. The interest rate on the unhedged $30m portion is 3.435% (2008: 7.1815%), being the BBSY plus a margin. Interest on both the hedged and unhedged facility is paid quarterly.

The margin is dependant on the credit rating of WAC.

(iii) The 7 year bond facility of $100m, placed in November 2006, has a period of maturity of seven years ending 11 November 2013. At balance date, the facility is net of transaction costs and is fully hedged against interest rate risk (see note 22). The interest rate is a fixed rate plus a margin being 6.4050% and is payable quarterly.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 19. NON - CURRENT BORROWINGS (CONTINUED)

(iv) The 10 year bond facility of $240m, placed in November 2006, has a period of maturity of ten years ending 11 November 2016. At balance date, the facility is net of transaction costs and is fully hedged for interest rate risk (see note 22). The interest rate is a fixed rate plus a margin being 6.3475% over the ten year period and is payable quarterly.

(v) On 7 March 2003, ADG issued $45,000,000 of convertible notes. In September 2004 ADG issued an additional 20,000,000 convertible notes on a pro-rata basis to existing note holders. The notes have a face value of $1.00 each, but were issued at a price of $1.066, yielding net proceeds of $21.32m. The notes are convertible to equity securities at any time after a public announcement of the listing of equity securities of the company or ADG.

The conversion number of shares will be determined by dividing the amount owing with respect to the notes by the conversion price. The conversion price is 95% of the volume weighted average price of the securities under an initial public offer ("IPO") or the trading price over a period of 20 business days. ADG advanced the proceeds of these notes to WAC on the same date as a subordinated shareholder loan.

The terms and conditions of the company's financing arrangements provide for the subordination of payment obligations to the unsecured debt holders for such time as any secured money remains owing to the banks and bondholders. Further details with respect to the provider of subordinated shareholder loans and interest rate are set out in note 30.

(b) Financing Arrangements excluding unsecured subordinated loans:

	2009 $'000	2008 $'000
TOTAL FACILITIES AVAILABLE:		
Bank overdrafts	10,000	10,000
Liquidity facility	16,000	16,000
Capital expenditure facility	225,000	225,000
Term facility	180,000	180,000
Bond Issue - 7 Years	100,000	100,000
Bond Issue - 10 Years	240,000	240,000
	771,000	771,000
FACILITIES UTILISED AT REPORTING DATE		
Bank overdrafts	-	-
Liquidity facility	-	-
Capital expenditure facility	225,000	93,000
Term facility	180,000	180,000
Bond Issue - 7 Years	100,000	100,000
Bond Issue - 10 Years	240,000	240,000
	745,000	613,000
FACILITIES NOT UTILISED AT REPORTING DATE		
Bank overdrafts	10,000	10,000
Liquidity facility	16,000	16,000
Capital expenditure facility	-	132,000
	26,000	158,000

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 19. NON - CURRENT BORROWINGS (CONTINUED)

At 30 June 2009, the average interest rate on the facilities utilised at reporting date was 3.46% (2008: 8.08%).

The unused bank overdraft and liquidity facilities provides assistance in the day to day management of working capital requirements and provide standby debt service liquidity for the quarterly debt service obligations under the financing documents. The capital expenditure facility is available for the purpose of funding approved capital expenditure subject to certain approvals. These facilities expire on 10 November 2009.

(c) Secured Debt – Security and Covenants:

The bank debt, term facility and both bond facilities are fully secured over all the assets of WAC, including a mortgage over the entity's interest under the Perth Airport lease. In addition, ADG has guaranteed repayment of the outstanding indebtedness by providing a charge over its shares and shareholder loans in WAC and a featherweight charge over all of its property. The Debt Service Cover Ratio (DSCR) is the ratio of cash-flows available for debt service to senior debt interest expense. The Leverage Ratio is the ratio of Total Senior Debt (Term facility, 7-year bonds, 10- year bonds and bank facilities) to the aggregate of outstanding senior finance debt plus the book carrying value of investments, loans and any other debt or equity interest of ADG in WAC.

The covenants within the borrowings required that the DSCR not to fall below 1.50:1 and the Leverage Ratio not to exceed 0.75:1. The 12 month projected DSCR is also required not to be below 1.40:1 for the twelve month period from the quarterly ratio dates. The Adjusted DSCR is required to be greater than 1.15:1.

The Capital Management Policy approved by the Board in July 2006 also includes provisions that:

- the Senior DSCR to be in excess of 1.60:1 for the life of the senior debt.
- the Senior Leverage Ratio will not exceed 65%;
- the Total DSCR does not fall below 1.5 times
- the Total Leverage Ratio will not exceed 75%.

Refer to Note 25 for compliance of the Capital Management Policy.

The Financial Report has been prepared on the basis that the Group can continue to meet its commitments as and when they fall due, and can therefore realise assets and settle liabilities in the ordinary course of business. In arriving at this position, management are in the process of refinancing its maturing debt facilities. The additional funds will be raised with a combination of debt from external banks totalling $740m and subordinated debt from shareholders to the value of $107m over the period to June 2012.

The directors believe that at the date of authorising the Financial Report there is a reasonable expectation that the refinancing will be completed prior to the expiration of the current borrowings on 10 November 2009. This is based on the confirmations received from the banks, all the terms and conditions of the loans have been finalised and approved by their credit committees.

(d) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of theses covenants.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 20. Non - Current Provisions

	NOTES	2009 $'000	2008 $'000
ONEROUS CONTRACT:			
Opening balance		3,546	4,503
Discount adjustment		89	401
Transfer from / (to) current portion	18	(818)	(1,358)
Balance at 30 June		2,817	3,546
LONG SERVICE LEAVE:			
Opening balance		89	227
Transfers from / (to) current portion	18	159	(138)
Balance at 30 June		248	89
		3,065	3,635

WAC recognised an onerous contract for the present value of the future payments required under the technical services agreement to the Port of Portland Holdings. Refer to note 30.

Note 21. Deferred Revenue

	2009 $'000	2008 $'000
CURRENT LIABILITIES:		
Opening balance at 1 July	814	225
Transfer from non current portion	86	589
	900	814
NON CURRENT LIABILITIES:		
Opening balance at 1 July	25,928	8,802
Prepaid rents received during the year	4,127	18,273
Transfer to current portion	(86)	(589)
Recognised as income	(975)	(558)
	28,994	25,928

Rentals received in advance for investment properties leased to tenants under long term operating leases amounted to $4.2m (2008: $18.3m) during the year. This amount is expected to be recognised as income over the term of the lease on a straight line basis.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 22. Derivative Financial Instruments - Liabilities

	2009 $'000	2008 $'000
CURRENT LIABILITIES		
Interest rate swap contracts - cash flow hedges	2,419	-
NON-CURRENT LIABILITIES		
Interest rate swap contracts - cash flow hedges	12,983	-
At 30 June	15,402	-

Cash flow hedges are used to hedge exposures relating to WAC's variable rate borrowings. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The derivative financial instruments have been designated as cash flow hedges. At 30 June 2009, an interest rate swap hedge liability of $15.4m (2008: hedge asset $29.8m) has been recognised for the fair value of the swaps.

The objective of the interest rate swap contracts is to fix the cash flows on its loans and borrowings. Accordingly per the interest rate swap contracts, WAC receives interest at variable rates and pays interest at fixed rates. Note 19(a) details out the various fixed interest rates payable on the senior debt facilities. Variable rates received are linked to 3 month BBSW and 3 month BBSY. The interest rate swap contracts require settlement of net interest receivable or payable each quarter and are settled on a net basis. The interest on the underlying senior debt is also payable quarterly. At 30 June 2009, the weighted average interest rate of the interest rate swap contracts was 6.0455% (2008: 6.2233%).

The effectiveness of our hedging relationship relating to our borrowings is calculated prospectively and retrospectively by means of statistical methods using regression analysis. The actual derivative instruments in a cash flow hedge are regressed against a hypothetical derivative. The primary objective is to determine if changes to the hedged item and derivative are highly correlated and, thus, supportive of the assertion that there will be a high degree of offset in cash flows achieved by the hedge. The effective portion of gains or losses of remeasuring the fair value of the hedge instrument are recognised directly in equity in the cash flow hedging reserve until such time as the hedged item affects the Income Statement, then the gains or losses are transferred to the Income Statement. The ineffective portion is recognised in the Income Statement immediately. During the year an expense of $28,402 (2008: revenue of $13,432) was recognised as hedge ineffectiveness in the Income Statement.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 22. DERIVATIVE FINANCIAL INSTRUMENTS - LIABILITIES (CONTINUED)

The notional amount of the interest rate swap contracts and the underlying hedged items are as follows:

	NOTIONAL CONTRACT AMOUNT 2009	NOTIONAL CONTRACT AMOUNT 2008	MATURITY
UNDERLYING HEDGED ITEM	$'000	$'000	
Interest rate swaps – Term facility	150,000	150,000	10 November 2009
Interest rate swaps – Capex facilities	150,000	-	11 November 2011
Interest rate swaps – 7 year bonds	100,000	100,000	11 November 2013
Interest rate swaps – 10 year bonds	240,000	240,000	11 November 2016
	640,000	490,000	

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 23. Deferred Tax Liabilities

	NOTES	BALANCE SHEET		INCOME STATEMENT		STATEMENT OF CHANGES IN EQUITY	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred income tax at 30 June relates to the following:							
Deferred tax liabilities							
Accelerated depreciation for tax purposes		26,736	32,719	(5,982)	(7,745)	-	-
Revaluations of infrastructure, plant, equipment and investment properties to fair value		68,047	75,009	(6,962)	6,867	-	-
Prepaid rent - operational rent		9,285	8,946	339	(104)	-	-
Contractual intangible assets		2,738	3,036	(298)	(289)	-	-
Capitalised master plan		35	37	(2)	3	-	-
Deferred finance costs		240	151	89	158	-	-
Property development income - future assessable amounts		20,963	18,113	2,849	4,877	-	-
Derivative financial instruments		-	8,938	-	-	(8,938)	4,189
Accrued revenue		1,192	1,190	2	255	-	-
Prepayments		-	-	-	(3)	-	-
		129,236	148,139	(9,965)	4,019	(8,938)	4,189
Deferred tax assets							
Accumulated tax losses		-	-		14,046	-	-
Doubtful debts		(147)	-	(147)	3	-	-
Accrued expenses		(334)	(48)	(286)	665	-	-
Capitalised legal expenses		(613)	-	(613)	-	-	-
Derivative financial instruments		(4,621)	-	-	-	(4,621)	-
Provision for onerous contract		(1,191)	(1,569)	378	179	-	-
Employee benefits		(1,109)	(972)	(137)	(27)	-	-
		(8,015)	(2,589)	(805)	14,866	(4,621)	-
Net deferred tax liabilities 30 June		(121,221)	145,550				
Deferred tax expense	4			(10,770)	18,885		
Net transfers to Statement of Changes In Equity	4					(13,559)	4,189

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 24. Contributed Equity

	2009 $'000	2008 $'000
Issued and Paid up Capital:		
Opening balance - 144,564,774 ordinary shares fully paid	144,565	144,565
Issued equity - 594,917 ordinary shares fully paid	3,500	-
	148,065	144,565

On 26 June 2009, 594,917 ordinary shares were issued at a price of $5.88 per ordinary share. At 30 June 2009, the total number of ordinary shares issued was 145,159,691 (2008: 144,564,774).

The issue of new ordinary shares was made pro-rata to existing shareholders by way of a non-renounceable rights issue of one ordinary share for every sixty held. A further 1,818,746 shares remain to be issued before 30 June 2012 at a price of $5.88 per share, subject to satisfaction of certain conditions precedent. Fully paid ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

Nature and purpose of reserves

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. The balance of the asset revaluation reserve represents the fair value movement upon transfer of operational land and buildings to investment property.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 25. Financial Risk Management

The Group and Company have exposure to the following risks from their financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's and Company's exposure to each of the above risks, their objectives, polices and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework.

WAC's overall risk management program seeks to mitigate these risks and reduce volatility impact on financial performance. Financial risk management is carried out centrally by WAC's finance department, under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

The Company enters into derivative transactions in accordance with Board approved policies to manage its exposure to market risks. Principally, WAC hedges the interest rate risks arising from sources of finance with the use of interest rate swaps. WAC does not speculatively trade in derivative instruments.

Credit risk is managed using ageing analyses and monitoring of specific credit allowances to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging of interest rate risk, credit allowances, and future cash flow forecast projections.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital Risk Management

The company's objective when managing its capital structure, being the nature and amount of debt and equity, is to promote financial stability and transparency to its key stakeholders and to maintain high standards of corporate governance.

A fundamental tenet of this approach is the adoption of specific policies and procedures promoting ongoing financial discipline in the treasury function, including the areas of shareholder distributions, company credit rating and financial leverage. In order to maintain or adjust the capital structure, WAC may adjust shareholder distributions to allow for working capital, investment and expansion requirements, while prudently considering the market influences on WAC's business, with an objective of maintaining a sustainable long term strong investment grade credit rating.

WAC monitors its capital structure by actively managing gearing levels, taking into consideration general business objectives, capital expenditure requirements and other relevant interests, including the maintenance of an appropriate level of financial flexibility. The company aims to maintain a leverage ratio below 75% (2008: 75%). The leverage ratio is defined as the ratio of outstanding senior debt to the sum of:

- Outstanding senior debt;
- The book carrying value of ADG's investment in WAC; and
- The book carrying value of loans and any other debt or equity interest invested by ADG in WAC.
- WAC leverage ratios based on continuing operations at 30 June 2009 and 2008 were as follows:

	2009 $'000	2008 $'000
Bank loans	224,944	92,793
Term facility	179,882	179,557
7 Year bonds	99,280	99,115
10 Year bonds	237,962	237,685
TOTAL SENIOR DEBT	742,068	609,150
BOOK CARRYING VALUE OF ADG'S INVESTMENT IN WAC	1,201,000	1,117,550
Convertible notes	64,427	64,326
Shareholder loans	7,521	23,750
BOOK CARRYING VALUE OF LOANS FROM ADG TO WAC	71,948	88,076
Leverage ratio	37%	33%

Under its Common Terms Deed, WAC is not permitted to make any distribution to ADG or its shareholders if:

(i) the Leverage Ratio exceeds 0.75:1; or

(ii) the Debt Services Coverage Ratio is less than 1.50:1.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Risk exposures and mitigation

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables. Credit risk arises from the financial assets of the company, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. The Group has adopted the policy of only dealing with creditworthy counterparties.

(i) Trade and other receivables

Trade and other receivables consist of customers spread across a number of sectors. The Company and Group have a diverse range of customers and tenants and therefore there is no significant concentrations of credit risk, either by nature of industry or geographically.

One of the methods used to manage the concentration of risks relating to these instruments is to report on our exposure by these sectors. To manage this risk:

- It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.
- the company may require collateral, where appropriate.
- receivable balances are monitored on an ongoing basis with the result that the company exposure to bad debts is not significant.

The Company has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

(ii) Derivatives and cash and cash equivalents

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has polices that limit the amount of credit exposures to any one financial institution. The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	NOTES	2009 $'000	2008 $'000
Cash and cash equivalents	7	50,838	19,912
Trade and other receivables	8	33,371	32,162
Derivative financial instruments	16	-	29,795
		84,209	81,869

The derivative financial instruments at 30 June 2009 are a liability. Refer to note 22.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)
(B) RISK EXPOSURES AND MITIGATION (CONTINUED)

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	2009 $ '000	2008 $ '000
Aeronautical debtors	11,734	9,061
Property debtors	5,168	1,606
Ground transport debtors	1,314	2,019
Retail debtors	4,162	1,171
Sundry trade debtors	4,618	7,388
Goods and services tax	1,734	1,549
	28,730	22,794

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of its distribution policy, bank overdrafts, bank loans, committed available credit lines and bond issues.

The company gives due regard to the following when determining short term funding requirements:

- historic operating volatility;
- historic impact of and recovery period from severe shock in the operating environment;
- seasonality and working capital requirements;
- debt service requirements; and
- non-discretionary capital expenditure requirements.

To ensure liquidity is maintained in accordance with this policy regular updates are presented to the Board in the form of rolling 12 month cash flow forecasts. In addition, a minimum level of free cash is maintained, equivalent to at least the quarterly senior debt service amount, the use of overdraft facilities to meet short term requirements is avoided and continual monitoring of the drawdown facility to maximise undrawn capacity.

The table below reflects all contractually fixed pay-offs for settlement, repayments and estimated interest payments resulting from recognised financial liabilities, including derivative financial instruments as of 30 June 2009. The respective undiscounted cash flows for the respective upcoming fiscal years are presented.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)
(B) RISK EXPOSURES AND MITIGATION (CONTINUED)

Consolidated

2009	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS 12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	29,659	29,659	29,659	-	-	-
Interest-bearing loans & borrowings	814,016	982,155	436,418	32,117	170,700	342,920
Income tax payable	20,553	20,553	20,553	-	-	-
Interest rate swap hedge liabilities	15,402	35,798	14,986	8,878	6,147	5,787
	879,630	1,068,165	501,616	40,995	176,847	348,707

2008	CARRYIN AMOUNT	CONTRACTUAL CASH FLOWS	LESS 12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	22,705	22,705	22,705	-	-	-
Interest-bearing loans & borrowings	697,226	928,916	74,699	307,219	80,392	466,606
Income tax payable	4,681	4,681	4,681	-	-	-
Interest rate swap hedge assets	(29,795)	(52,012)	(8,521)	(7,923)	(19,354)	(16,214)
	694,817	904,290	93,564	299,296	61,038	450,392

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

The Company is exposed to interest rate risk arising from its long-term interest bearing borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Any decision to hedge interest rate risk will be assessed by the Board in light of the overall Company exposure, the prevailing interest rate market and any funding counterparty requirements.

The Company's policy is to manage its finance costs using a mix of fixed and variable rate debt. To manage this mix in a cost effective manner, the company enters into interest rate swaps, in which the company agrees to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2009, after taking in to account the effect of interest rate swaps, approximately 63% of the company's exposure
is at a fixed rate of interest (2008: 63%).

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)
(B) RISK EXPOSURES AND MITIGATION (CONTINUED)

On an ongoing basis, as part of its risk management programme, the company reviews its debt levels and interest rate exposure. Within this review consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. Cash is held in interest bearing accounts to maximise funds earned on these balances. At the reporting date the interest rate profile of the Group's financial assets and financial liabilities was:

	FLOATING INTEREST RATE	FIXED INTEREST	NON INTEREST BEARING	TOTAL
	$'000	$'000	$'000	$'000
30 JUNE 2009				
FINANCIAL ASSETS				
Cash at bank and in hand	50,596	-	242	50,838
Trade and other receivables	-	-	31,144	31,144
GST clearing accounts	-	-	1,734	1,734
Other financial assets	-	-	1,307	1,307
	50,596	-	34,427	85,023
FINANCIAL LIABILITIES				
Derivative financial instruments	-	-	15,402	15,402
Bank loans	224,944	-	-	224,944
Term facility - hedged	-	149,891	-	149,891
Term facility - unhedged	29,991	-	-	29,991
Bond Issue - 7 Years	-	99,280	-	99,280
Bond Issue - 10 Years	-	237,962	-	237,962
Shareholder loans	64,427	-	-	64,427
Subordinated shareholder loans	7,521	-	-	7,521
Trade and other payables	-	-	29,659	29,659
Income tax payable	-	-	20,553	20,553
	326,883	487,133	65,614	879,630
NET FINANCIAL ASSETS / (LIABILITIES)	(276,287)	(487,133)	(31,187)	(794,607)

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)
(B) RISK EXPOSURES AND MITIGATION (CONTINUED) MARKET RISK (CONTINUED)

	FLOATING INTEREST RATE	FIXED INTEREST	NON INTEREST BEARING	TOTAL
	$'000	$'000	$'000	$'000
30 JUNE 2008				
FINANCIAL ASSETS				
Cash at bank and in hand	19,912	-	-	19,912
Trade and other receivables	-	-	30,613	30,613
GST clearing accounts	-	-	1,549	1,549
Other financial assets	-	-	506	506
Derivative financial instruments	-	-	29,794	29,794
	19,912	-	62,462	82,374
FINANCIAL LIABILITIES				
Bank loans	92,793	-	-	92,793
Term facility - hedged	-	149,631	-	149,631
Term facility - unhedged	29,926	-	-	29,926
Bond Issue - 7 Years	-	99,115	-	99,115
Bond Issue - 10 Years	-	237,685	-	237,685
Shareholder loans	64,326	-	-	64,326
Subordinated shareholder loans	23,750	-	-	23,750
Trade and other payables	-	-	22,705	22,705
Income tax payable	-	-	4,681	4,681
	210,795	486,431	27,386	724,612
NET FINANCIAL ASSETS / (LIABILITIES)	(190,883)	(486,431)	35,076	(642,238)

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

		PROFIT OR LOSS		EQUITY
	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
25 basis points	(221)	(334)	2,803	4,763
-25 basis points	221	334	(2,803)	(4,846)

(ii) Estimation of fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements reasonably approximate their net fair values.

The methods used in determining the fair values of financial instruments are discussed in note 1(t).

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 26. Capital and Leasing Commitments

Capital Commitments

	2009 $'000	2008 $'000
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities:		
Not later than one year	58,705	69,934

Technical Service Agreement

A technical service agreement (TSA) exists between WAC and Port of Portland Holdings Pty Ltd (POPH) for the provision of technical advice to WAC about its management, operation and maintenance of the Perth Airport. Under the terms of the TSA, WAC is committed to pay an annual fee for each financial year being the greater of the Base Fee or an Incentive Fee, which is linked to earnings for that financial year. The agreement is for a period of 15 years expiring on 5 May 2012. The TSA is considered to be an onerous contract and accordingly a provision for the future cash flows has been raised as at 30 June 2009 (refer to note 18 and 20).

Finance and Operating Leases

Other than the Airport Lease, the company has not entered into any material finance or operating leases as lessee.

Note 27. Contingent Liabilities

The ability to claim for native title over airport land was extinguished in 2000 and hence no such claims can be made against the Company. Parts of Perth Airport (the Munday Swamp Bushland and Forrestfield Bushland) are listed on the Register of the National Estate. The Minister for Transport and Regional Services may approve development of land on the Register if he or she is satisfied that there is no prudent or feasible alternative to the development. As a result of changes that came into place from 1 January 2004, the Australian Heritage Council compiles and maintains the Register of the National Estate (RNE). In addition to the RNE, two other lists have been created. These are the National Heritage List (NHL) and the Commonwealth Heritage List (CHL). The NHL contains places of exceptional national heritage value. No areas on WAC land have been uplifted from the RNE to NHL. The CHL contains areas of heritage value that are owned or controlled by the Commonwealth. Two areas (Forrestfield Bushland and Munday Swamp and surrounding bushland) have been listed as indicative places.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 28. Cash Flow Information

	NOTES	2009 $'000	2008 $'000
RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS			
Profit from continuing operations after income tax		15,159	60,894
Adjustments for:			
Depreciation and amortisation		16,628	13,084
Change in fair value of investment property	13	39,762	(22,891)
Loss on sale of infrastructure, plant and equipment	3(a)	30	(11)
Bad debts written off	8	-	10
Capital works in progress written off	3(a)	717	(24)
		72,296	51,062
CHANGES IN ASSETS AND LIABILITIES			
Change in trade and other receivables		(477)	(2,491)
Change in inventories		(17)	23
Change in other operating assets		(3,219)	(91)
Change in deferred tax assets	23	(5,427)	-
Change in deferred tax liabilities	23	(18,903)	-
Change in current tax liability		15,872	-
Change in deferred tax liability in equity	23	13,559	-
Change in trade and other payables		7,358	(10,891)
Change in deferred revenue	21	3,151	17,715
Change in other provisions	18, 20	(479)	22,743
		83,714	78,070
Interest paid		53,598	54,396
NET CASH FROM OPERATING ACTIVITIES		137,312	132,466

Note 29. Events after the Balance Sheet Date

The Financial Report has been prepared on the basis that the Group can continue to meet its commitments as and when they fall due, and can therefore realise assets and settle liabilities in the ordinary course of business. In arriving at this position, management are in the process of refinancing its maturing debt facilities. The additional funds will be raised with a combination of debt from external banks totalling $740m and subordinated debt from shareholders to the value of $107m over the period to June 2012.

The directors believe that at the date of authorising the Financial Report there is a reasonable expectation that the refinancing will be completed prior to the expiration of the current borrowings on 10 November 2009. This is based on the confirmations received from the banks, all the terms and conditions of the loans have been finalised and approved by their credit committees.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 29. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

There are no other matters or circumstances that have arisen since 30 June 2009 that have significantly affected, or may significantly affect:

a) The company's operations in future financial years, or
b) The results of those operations in future financial years, or
c) The company's state of affairs in future financial years.

Note 30. Related Party disclosure

Key Management Personnel

Key management personnel comprises of Company executives and directors of WAC.

(i) Executives

Executives who held office during the financial year were:

Brad Geatches - Chief Executive Officer

Wayne Ticehurst - Chief Financial Officer

Neil Kidd - General Manager Property (resigned 2 July 2009)

Peter Cock - General Manager Corporate Risk

Brett Jackson - General Manager Asset Management

Guy Thompson – General Manager Integrated Planning

Malcolm Bradshaw – General Manager Corporate and Legal Affairs (resigned 27 February 2009)

Scott Norris - General Manager Business Development

Graeme Ware – General Manager Airport Operations

Tarita Neal – General Manager Human Resources

Total compensation paid to executives for the financial year

	2009 $	2008 $
TOTAL COMPENSATION		
Short-term benefits:		
Salary and fees	1,986,710	1,582,513
Bonus	473,088	334,855
	2,459,798	1,917,368
LONG-TERM BENEFITS:		
Long service leave	-	35,959
OTHER BENEFITS:		
Termination benefits	5,900	129,730
POST EMPLOYMENT BENEFITS:		
Superannuation contributions	220,142	161,072
TOTAL	2,685,840	2,244,129

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)

Note 30. Related Party disclosure (continued)

(ii) Directors

The directors who held office during the financial year and up to the date of this report are noted in the Directors' Report.

Directors have been appointed by shareholders are as follows:

- Hastings Funds Management Ltd as the responsible entity for Australian Infrastructure Fund Pty Ltd – Mr Jeffrey
- Pollock with Ms Miriam Patterson appointed alternate director.;
- Utilities of Australia Pty Ltd as Trustee for Utilities Trust of Australia – Mr Ronald Doubikin with Mr Richard Hoskins appointed alternate director;
- Utilities of Australia Pty Ltd as Trustee for the Perth Airport Property Fund - Mr Alan Good and Mr Richard Hoskins with Ms Miriam Patterson appointed alternate director.;
- Westscheme Pty Ltd – Mr Lyndon Rowe with Mr Tom Snow appointed as alternate director.

Directors Remuneration Scheme

In 2004/05 the WAC Board approved the implementation of a Directors Remuneration Scheme (DRS), which provides for payment of directors fees of $1m p.a. to directors appointed by shareholders in proportion to the respective shareholding of each shareholder in the parent entity (ADG). The total paid in accordance with the DRS for the year ended 30 June 2009 amounted to $888,411 (2008: $962,096).

Where shareholders have elected, their representative director receives the proportionate director's fee. If shareholders elect for their representative director not to receive any remuneration, the shareholder receives the proportionate director fee as consideration for the procurement of the representative director. At 30 June 2009 there was an amount of $240,695 (2008: $182,571) in respect of fees payable to the shareholders.

Subordinated Shareholder Loans

The purchase of the Perth Airport lease was partly funded by way of shareholder sponsored subordinated debt. Interest is payable on the debt at the National Australia Bank's Indicator Lending Rate (or equivalent indicative rate) for 1 year commercial bills exceeding $1,000,000 as at the first day of the financial year plus a 4% margin. $47,729,044 of the principal was repaid during the financial year (2008: $40,000,000). At 30 June 2009, accounts payable included $846,911 (2008: $2,252,343) of accrued interest on subordinated debt. A total of $1,395,703 (2008: $12,932,518) interest was charged during the year.

As part of the additional capital raising during the year, shareholders contributed an additional $31.5m of subordinated shareholder loans. Interest is payable on these loans based on the 6 month BBSW rate plus a margin of 8% p.a. Where at the end of any period, interest on the debt is not paid by WAC because such a payment would be in breach of the bank finance agreement provisions then:

- interest for that period will be capitalised; and
- shall be paid in full on the repayment date of the loan.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

Other Related Parties

A technical service agreement exists between WAC and Port of Portland Holdings Pty Ltd (POPH, previously known as Infratil Australia Pty Ltd (IAPL), an entity jointly owned by the Australian Infrastructure Fund and the Utilities Trust of Australia), which engages POPH for the purpose of providing technical advice about management, operations and maintenance of the airport. The contract was based on normal commercial terms and conditions. A total of $1,350,400 (2008: $1,298,167) was paid to POPH during the financial year. At 30 June 2009, provisions included $336,822 (2008: $324,964) of accrued technical service fees.

On 9 November 2007 BAA disposed of its shares in ADG. Pursuant to a Shareholders Agreement, some of the remaining shareholders exercised their pre-emptive right to acquire these shares from the outgoing shareholder. The subsequent changes to ownership interests is detailed in the table below.

Westscheme Pty Ltd is the fund manager of the Westscheme superannuation fund. Westscheme is the default superannuation fund for employees of Westralia Airports Corporation.

Colonial First State Private Capital Ltd (CFI) and the Officers Superannuation Fund's interests in ADG are managed under an Investment Mandate Agreement by Colonial First State Investments Limited (CFSIL). CFSIL is wholly owned by Commonwealth Bank Ltd (CBA). CBA provides financial services and debt facilities to the entities within the company on normal commercial terms and conditions.

In April 2005 the Perth Airport Property Trust (PAPT) was established with common shareholders to ADG. The establishment of the trust involved the transfer of properties held by WAC to PAPT for consideration of $12,000,000 based on normal commercial terms and conditions and included costs of sale totalling $10,947,580. No properties were transferred to PAPT in the year ending 30 June 2009 (2008: nil). WAC holds a property management agreement with PAPT, whereby WAC receives a fee paid quarterly in arrears. The fee is calculated at 5% p.a of the gross revenue from properties held by PAPT. At 30 June 2009 WAC, has accrued $348,889 (2008: $244,660) in management fees payable to PAPT.

As part of the sale of two investment properties to PAPT, WAC entered into an arrangement in 2005, whereby a finance lease receivable of $12,000,000 from PAPT to WAC offsets a security deposit of $12,000,000 provided by WAC to PAPT which would otherwise be recognised as a non-current interest bearing liability of WAC. WAC has legal right of set-off with PAPT to offset the finance lease receivable against the security deposit. The debt has been treated as having been extinguished. There was no net gain or loss recognised in the Income Statement as a result of the transaction.

WAC established the Property Development Advisory Committee (PDAC) in August 2003. The committee was established to assist the property development team and provide advice to the Board of Directors on property specific transactions. At 30 June 2009, accounts payable had a nil liability with respect to fees payable to members of the committee (2008: nil).

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009 (CONTINUED)
NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

Ownership Interests

The ultimate Australian parent entity is Airstralia Development Group Pty Ltd (ADG), which at 30 June 2009 owns 100% of the issued ordinary shares of WAC. Transactions between ADG and WAC for the year consisted of loans advanced by ADG. Aggregate amounts payable to ADG by WAC at 30 June 2009 were as follows:

	NOTES	2009 $'000	2008 $'000
Current accounts payable	17	847	2,252
Non-current interest bearing liability	19	71,948	88,076
		72,795	90,328

ADG is owned by the following shareholders:

	2009 %	2008 %
Hastings Funds Management Ltd* as the single responsible entity for the Australian Infrastructure Fund	29.7%	29.7%
Hastings Funds Management Ltd* as the Trustee for the Infrastructure Fund	4.3%	4.3%
Utilities of Australia Pty Ltd** as the Trustee for the Utilities Trust of Australia	38.3%	38.3%
Utilities of Australia Pty Ltd** as the Trustee for the Perth Airport Property Fund	17.3%	17.3%
Westscheme Pty Ltd as the Trustee for Westscheme	5.0%	5.0%
Citicorp Nominees Pty Ltd as the nominee for the Officers Superannuation Fund	3.2%	3.2%
Colonial First State Private Capital Ltd	2.2%	2.2%
	100.0%	100.0%

*Hastings Funds Management Ltd is wholly owned by Westpac Institutional Holdings Ltd which in turn is a wholly owned subsidiary of Westpac Banking Corporation.
** Utilities of Australia Pty Ltd is managed by Hastings Funds Management Ltd.

Note 31. Company Information

The registered office and principal place of business of the company is:

Westralia Airports Corporation Pty Ltd

Level 2, 2 George Wiencke Drive

Perth Airport, WA 6105

Directors' Declaration

In accordance with a resolution of directors of Westralia Airports Corporation Pty Ltd, I state that:

1. In the opinion of the directors:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the Group as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b)(ii);

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

Signed in accordance with a resolution of the directors

David Crawford

DAVID CRAWFORD. CHAIRMAN

PERTH, WESTERN AUSTRALIA 26 AUGUST 2009

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent Auditor's Report to the members of Westralia Airports Corporation Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Westralia Airports Corporation Pty Ltd, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 and International Standards on Auditing. These Auditing 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001.

We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's opinion

In our opinion:

1. the financial report of Westralia Airports Corporation Pty Ltd is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the financial position of Westralia Airports Corporation Pty Ltd and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

ERNST AND YOUNG

G. LOTTER.

Partner. Perth, 26 August 2009

Review of Operations

The financial results for the year ended 30 June 2009 reflect the challenging global economic conditions that affected the Western Australian economy.

Operating Profit before tax for the year ended 30 June 2009 was $23.5m. This was a decrease of $61m compared to the prior year profit $84.5m, with the reduction on the prior period being largely attributable to the decline in fair value of investment property. The independent valuation of WAC's investment property portfolio led to a valuation decrement of $39.8m, compared to the prior year revaluation increment of $24.8m. The decline in fair value reflects the impact of the global credit crisis which significantly impacted the valuation of large englobo land, which forms the basis of the investment land valuation.

The core underlying business grew strongly in the year which is reflected by an increase in total revenue from continuing operations of 15.7% from $181.2m in the prior year to $209.7m. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $90.5m for the year, a decrease of 39.6% from the prior year amount of $150m. This decrease was attributable to the decline in fair value of investment property, which is a non-cash adjustment to the financial results. Disregarding the impact of fair value adjustments, underlying Operating Profit before tax increased by $3.6m, or 6% on the previous year and EBITDA increased by $5.1m, or 4.1%.

Revenue from aeronautical activities was $79.1m, an increase of $5.8m or 7.9% from the prior year. This was contributed to by continued strong growth in both domestic and international passengers.

Revenue from trading and ground transport activities was $75.1m, an increase of $8.3m or 12.4% from the prior year. This was contributed to by passenger growth, increased car park capacity and improved car parking products, and the increased use of retail and ground transport services.

Property income was $35.1m, an increase of $9.1m or 35.1% from the prior year. The increase was mainly due to rental income from tenants in newly constructed investment buildings and annual rent increases. Income from recharged property services was $19.5m, an increase of $5.2m or 36.6% compared to the prior year. This was mainly due to increases in the recharge of electricity costs, council rates and land tax, as well as an increase in the number of tenants.

Total operating expenses for the year was $79.4m, an increase of 41.7% from the prior year amount of $56.0m.

This increase was particularly impacted by a once off reduction of $11.5m in the prior year expenses, relating to the reversal of an amount previously accrued for shareholder bonus payments. Disregarding the impact of this one off adjustment, operating expenses increased by $11.9m or 17.6%.

The increase in total operating expenses was also attributable to increases in services and utilities expenses and recharges. These expenses, totalling $40.8m increased by $7.6m or 22.8% over the prior year. This increase was mainly due to an increase in electricity charges, council rates and land tax. This increase in recharged service and utility expenses is matched by an increase in income from recharged property services.

Employee expenses of $21.0m increased by $1.7m or 9.0% from the prior year. The increase reflects the employment of additional staff across all business units to properly resource the increased level of activity throughout the airport.

Review of Operations

General administration expenses of $11.4m increased by $0.9m or 8.2% over the prior year. This was attributable to the write-off of $0.7m of previously capitalised work-in-progress.

Disregarding the impact of the one off adjustment for shareholder bonus payments and the increases in service and utillity costs, including those incurred on behalf of tenants and recharged to tenants, underlying operating expenses increased by $4.3m, or 6.4%. The Company further strengthened its liquidity position during the year, with cash increasing by $30.9m to $50.8m.

CHIEF EXECUTIVE OFFICER
BRAD GEATCHES

Corporate Directory

WESTRALIA AIRPORTS CORPORATION PTY LTD

ABN 24 077 153 130

ACN 077 153 130

REGISTERED OFFICE

Location

Westralia Airports Corporation Pty Ltd

Level 2, 2 George Wiencke Drive

Perth Airport WA 6105

MAIL

Westralia Airports Corporation Pty Ltd

PO Box 6 Cloverdale WA 6985

CONTACT DETAILS

Telephone +61 8 9478 8888

Facsimile +61 8 9478 8887

Email perthairport@wac.com.au

Web perthairport.com