

PERTH AIRPORT ANNUAL REPORT

2011|12

# TRANSFORM



PERTH  
AIRPORT

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### ABOUT THIS ANNUAL REPORT

This report is one of three published reports covering the company's activities during the 2011/12 financial year. It is structured to respond to the company's corporate objectives, to demonstrate progress and to accurately reflect achievements during the 2011/12 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 at [www.perthairport.com.au](http://www.perthairport.com.au)



## CHAIRMAN'S REVIEW

The year to 30 June 2012 was a successful one for Perth Airport Pty Ltd, during which our company delivered safe and reliable airport services for airlines and the public of Western Australia, while also providing good returns for shareholders of the company.

Commercial aviation services are vital for Western Australians given the vast distances between communities in our State and between our State and elsewhere in Australia. Much cultural, social and economic activity depends on the reliability and affordability of commercial aviation services and Perth Airport plays a critical role in meeting aviation demand.

Despite the mainstream forecasts at the time, the Western Australian economy and the resource sector emerged from the uncertainty of the Global Financial Crisis in 2008|09 into a period of further substantial growth. The resulting demand for commercial aviation has been extraordinary.

Demand for commercial aviation services again grew strongly during the year, with total passenger movements increasing by 10.3% on the prior year, which was the highest growth rate of all Australian capital city airports for the seventh successive year.

Strong demand was experienced in all market segments, particularly intrastate, with the resources sector's continuing expansion underpinning an 18.7% increase in regional passengers, which now account for approximately 37% of total domestic passengers.

The resource sector's "fly-in, fly-out" (FIFO) mode of operation continued to present Perth Airport with unprecedented and unique challenges, particularly the very peaky nature of the demand and the large number and different sizes of aircraft that are in operation.

During the year our company accelerated investments in airfield infrastructure and devoted particular attention

to working with airlines and the air navigation agency Airservices Australia to increase the aircraft movement capacity of our airfield and the Western Australian airspace.

During the year our aviation business development efforts contributed to further growth in the number of international airlines and aircraft seats servicing Perth. The increasing choice and lower airfares available to Western Australians, together with the continuing strength of the Australian dollar, contributed to international passengers increasing by 6.9% during the year. The expanding international seat capacity is also of significant benefit to the State's tourism industry. In the past five years, the number of international airlines servicing Perth has increased from 13 to 17 and the number of international seats has increased by 52%.

Our capacity to continue to invest in Perth Airport depends on the support of our customers and shareholders. We estimate that around 80% of the shares of our company are held on behalf of Australian superannuants and we are pleased to be delivering stable returns for them, while at the same time being able to access funds from our supportive shareholder base for the substantial investments we are making.

The company's Net Profit After Tax was \$309.7 million and Earnings Before Interest Tax Depreciation and Amortisation was \$603.8 million. These results were favourably impacted by a non-cash increase in the valuation of the company's investment properties of \$337.5 million.

Following substantial capital investments in prior years, \$165 million was invested to improve the airport experience and to expand capacity during the year.

By the end of the year, the delivery phase of our major redevelopment program was well underway with

## CHAIRMAN'S REVIEW

committed capital projects worth \$750 million underway by the end of the year.

Importantly, our airport development plans provide for acceleration of further investments should strong growth continue, noting that discussions with airlines about further investments continued during the year.

The suitability of the current economic regulatory regime applying to Australia's large airports was confirmed during the year by the Productivity Commission after a thorough review of the economic regulation of the Australian airport sector. The Commission's December 2011 findings confirmed that the existing regulatory system is in the public interest, with customer service, investment and efficiency outcomes benchmarking favourably compared to other international airport regulatory systems and other infrastructure types in Australia. We were pleased that the Commonwealth Government accepted the Productivity Commission's recommendations.

The regulatory regime, together with the Government's airport pricing principles, seek to encourage airports and airlines to agree commercial terms, customer service levels and the nature of infrastructure investments at large airports. Under this system, Perth Airport has finalised comprehensive commercial agreements with airlines representing over 95% of passenger movements which apply until 30 June 2018. Our company has been particularly appreciative of the support of the airlines that worked closely with us to finalise these sophisticated agreements. These agreements and the stable regulatory regime underpin the very substantial investments being made at Perth Airport.

Our company was not pleased with two budgetary measures announced by the Commonwealth Government in May 2012. The decision to increase the Passenger

Movement Charge by 17% to \$55 per departing passenger will result in approximately \$100 million being collected from international passengers at Perth Airport in the year ending 30 June 2013. This collection greatly exceeds the cost to the Government of providing border agency services at Perth Airport at a time when our company is concerned that funding for such border services, which greatly impacts international travellers' experience, is not keeping up with growth. We will be continuing to emphasise to the Commonwealth Government the importance of border services being properly resourced, including adopting new technologies in a timely manner to improve traveller processing times. The Commonwealth Government's announced intention to apply a charge for the provision of "community policing" services at Australia's large airports, if implemented, would amount to a charge on travellers for policing activities that occur as a by-product of the Australian Federal Police being deployed at large airports for counter-terrorism purposes. This intended cost recovery measure would represent an inappropriate tax on commercial aviation, with no equivalent elsewhere in Australia.

Our company is very appreciative of the decisive action being taken by the Commonwealth and Western Australian governments to address the congestion that impedes access to Perth Airport during the morning and evening metropolitan peak hours. Gateway WA is a visionary project that will greatly enhance the experience of travellers to and from our city, together with meeting the expanding freight task in the Kewdale area.

The Western Australian Government has acted decisively to bring the \$1 billion Gateway WA project from concept planning to commencement of the delivery phase in just three years. The Commonwealth Government's \$686

## CHAIRMAN'S REVIEW

million contribution toward the project cost reflects the Government's policy of investment in infrastructure of national importance.

During the year, our company continued to work closely with the local councils which represent the many communities with close physical connections to Perth Airport. We greatly appreciate the efforts of the councillors and council staff who participate in consultation with our company. Local residents are particularly well served by the Perth Airports Municipalities Group which ensures that community needs are a foremost consideration in the planning and operation of Perth Airport.

We are deeply appreciative of the contribution made by Perth Airport's team of employees, which is particularly impressive when considered in the context of the high operating tempo and large capital program that comes with consistently being Australia's fastest growing capital city airport. While continuing to deliver our corporate objectives of safety, reliability, customer service and improving shareholder value our employees also met the demands of preparing for, and delivering, our large and complex capital projects.

Despite continuing risks associated with the parlous economic conditions in Europe and low rates of growth in the United States of America, the outlook for Western Australia and our company remains favourable.

While we are focused on successfully executing our transformational redevelopment program over the next two years, we will continue to work with airlines, Airservices Australia and governments to ensure that we meet our objectives of safety, reliability, customer service and improving shareholder value.



David Crawford CHAIRMAN

## CHIEF EXECUTIVE OFFICER'S REVIEW

During the year ending 30 June 2012, Perth Airport Pty Ltd continued to meet the challenges associated with the rapid growth of commercial aviation activity in Western Australia.

While the operating tempo of our airport again increased significantly during the year, I am pleased to report that we operated with no material unplanned employee or public safety events. Considerable resources continued to be applied to risk identification, assessment and treatment. High levels of safety have been supported by effective processes and relationships that exist within the Perth Airport community of companies and their employees and the efforts of government agencies which oversee aviation safety and security.

Our combined capacities were subject to a significant test during the Commonwealth Heads of Government Meeting (CHOGM) in November 2011. The complete success of the aviation services for CHOGM, given the very significant additional demands during the two week period, was a credit to the entire Perth Airport community. Strong growth was experienced in all commercial aviation markets during the year and we continued with our major terminal and airfield investment program.

### International

International passenger growth of 6.9% to 3.5 million passengers for the year was underpinned by further expansion of the international route network servicing Perth. The commencement of services to mainland China by China Southern Airlines and the announced commencement of services by Qatar Airways were two particular highlights.

Perth Airport's substantial investments in aviation business development and risk sharing with international airlines has materially contributed to the increased choice and value for money available to Western Australians and to the increased aircraft seats, which is

the lifeblood of the State's international tourism industry. We continued to work closely with Tourism WA on aviation route development and are particularly appreciative of the close working relationship that has developed between our organisations.

During the year, we entered the delivery phase of our major expansion and redevelopment of the International Terminal. By the end of the year, we had awarded the construction contract for the \$80 million international arrivals redevelopment. Within 12 months, travellers will start to enjoy a transformed arrivals experience with greatly expanded duty free, baggage reclaim and border agency areas.

By November 2012, we expect to have awarded the contract for the \$300 million construction of a new pier on the southern end of the International Terminal. This project includes significantly expanded international check-in and new aircraft gates, including two that will support the large A380 aircraft. We are also proceeding to redevelop the first floor of the International Terminal, which will substantially expand the main international departures processes.

### Domestic - Interstate

Interstate passenger growth of 7.8% to 5.7 million passengers reflected strong economic conditions and increased competition between the four airlines providing interstate services (Qantas, Jetstar, Virgin Australia and Tiger Airways).

Increased competition between Qantas Group airlines and Virgin Australia has seen increased seat capacity and intense price competition.

The commencement by Virgin Australia of A330 wide bodied aircraft services, including a business class service, has been a material change in the interstate competitive landscape.

## CHIEF EXECUTIVE OFFICER'S REVIEW

During the year, construction of our new Domestic Terminal, next to the current International Terminal, progressed well. The new Domestic Terminal will deliver a high quality service to customers of the three airlines that will relocate to it when it opens in 2013 (Alliance Airlines, Skywest and Tiger Airways). The relocation of those airlines will also provide capacity for Qantas Group airlines and Virgin Australia to expand in the current domestic precinct.

We have agreed with Virgin Australia to construct new facilities for their future operations in the major new pier being constructed on the southern end of the International Terminal. We expect Virgin Australia to relocate to their new home in mid 2014.

We are also proceeding to make further investments in the current domestic precinct. These investments, together with the phased relocation of airlines, will see significant improvements in the customer experience in the current domestic precinct.

### Domestic - Intrastate

Intrastate passenger growth of 18.7% to 3.4 million passengers reflected the significant growth of the State's resource sector. The FIFO mode of operation has resulted in very significant demand peaks during the 5.30am to 8.00am period on mid-week days and evenings as regional aircraft returning coincides with domestic interstate and international aircraft arrivals.

During the year, we continued to work closely with airlines and Airservices Australia to increase the capacity of Perth Airport's airfield and the Western Australian airspace to meet the resource sector's demand.

These activities have included global benchmarking, which is informing further investments and changes to processes, which together will continue to increase Perth Airport's aircraft movement capacity.

By the end of the year, we had substantially progressed

a review of the timing of investment of additional runway capacity at Perth Airport. During the next 12 months, we expect to reach agreement with airlines in relation to the timing of the development of the third runway.

The new \$120 million Domestic Terminal, which will open in early 2013, has been designed for the specific demand characteristics of the resource sector's FIFO operations. The new terminal will be operating at less than 30% capacity on opening and has parking for up to 36 aircraft, with facilities specifically designed for quick turnaround of multiple aircraft in peak periods.

### Other Airport Services

During the year, we continued to invest in making Perth Airport more accessible and to improve the quality of our transport and retail services.

A new intersection, costing \$10 million and fully funded by Perth Airport, was opened in April 2012. This new intersection has substantially improved access to and from the international precinct.

By the end of the year, we had also reached agreement with the Western Australian Government on the preferred alignment for a future rail link to Perth Airport.

Both Perth Airport and the Government are committed to incorporating this alignment into their respective development plans. The timing of the construction of a Perth Airport rail link is a matter for the Western Australian Government.

We also worked very closely with Main Roads WA to continue the good progress that has been made with arterial road network planning in proximity to Perth Airport. We are appreciative of the collaborative approach that has been taken by the Western Australian Government to ensuring that the resulting Gateway WA project plan meets the long term need for high quality access to Perth Airport.

We continued to invest in our car parking services; the





STAGE 1, PERTH AIRPORT REDEVELOPMENT 2014

*Introducing  
James Gorton,  
Aviation Business  
Development  
Manager*

"As a member of the Aviation Business Development team, I enjoy the opportunity to develop and implement strategies to provide more domestic and international destinations for Western Australians, and to benefit our economy by increasing the amount of air capacity into the State."



## CHIEF EXECUTIVE OFFICER'S REVIEW

growth in demand for our long term parking product has outstripped passenger growth, reflecting that the product is meeting customer's needs for a reasonably priced long term parking product.

The redevelopment of Perth Airport is allowing the retail offering to be expanded and its quality to be improved. The next milestone is the opening of the new Domestic Terminal in early 2013, which will include a high quality retail offering with well known brands. The International Terminal redevelopment and expansion will also see increasing quality in the shopping and dining experience. Demand for Perth Airport's property services continued to be strong during the year. The airport's proximity to the city's main rail-freight hub, the Kewdale Industrial zone and the strong connections to the Port of Fremantle has seen Perth Airport become a preferred location for transport and logistics companies and those servicing the State's resource sector. The colocation of these companies at Perth Airport with our airport infrastructure and the surrounding rail and road connections reflects logical and sustainable urban planning in this region of the city.

### Our People and Sustainability

Perth Airport includes features of high environmental and Indigenous cultural significance and we devote significant attention to conservation of these features and to minimise the environmental impact of our operations. We also work closely with our tenants, assisting them with their environmental management. Sustainability has been an important consideration in the design of our airport redevelopment projects. We are in the final stages of constructing a co-generation plant that will supply gas fired power to the new domestic and expanded international terminals. The co-generation plant's re-use of heat from the generation process will

deliver significant energy and carbon savings compared to the existing grid-based power supply systems.

Rainwater will also be harvested from the roof of the new Domestic Terminal into 2,000 cubic metre underground tanks and re-used for toilets and gardens.

I am very proud to be one of a team of employees who have continued to deliver superior outcomes during a very challenging and successful time for our company. Our team of employees continue to deliver safe and reliable services, while also planning for and commencing to deliver our ambitious redevelopment program. Their competence, commitment and enthusiasm underpins our company's success.



Brad Geatches CHIEF EXECUTIVE OFFICER

## 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 Non-Executive Director of Clough Ltd and President of the National Competition Council. He is Chairman of the Board of Advisors of Curtin University's Graduate School of Business. He was previously Corporate Affairs Director of Wesfarmers Ltd and held senior executive positions with Ranger Minerals NL, Western Collieries Ltd and CSR Ltd. 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 DENIS ADAMS



Mr Adams was appointed to the Board in October 2007. He was also a Director of Queensland Airports Ltd. Mr Adams had 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, Qantas. Mr Adams was also a director of Qantas subsidiary companies, Australian Air Express Pty Ltd and Star Track Express Pty Ltd.

### 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 and Chairman of a number of private companies including Koala Self Storage Pty Ltd. He was previously an alternate Director of United Super Pty Ltd and Director of Cbus Property 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.

## BOARD OF DIRECTORS

### MR ALAN DUNDAS BE (HONS), FAUSIMM, GAICD



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

### MR ALAN GOOD FCA, BCOM



Mr Good was appointed as a Non-Executive Director of the Board in July 2006. Mr Good is the Chairman of Straits Resources Ltd and the Chairman of Snap Franchising Ltd. Mr Good was formerly the Chairman of CMA Corporation Ltd and a Partner of PricewaterhouseCoopers and was the Managing Partner of that firm's Perth office for over six years.

### MR JEFF POLLOCK B A C C



Mr Pollock joined Hastings Funds Management in April 2008 and was appointed as a Non-Executive 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 the Australia Infrastructure Fund. Prior to joining Hastings, Mr Pollock was part of the senior management team at Prime Infrastructure, where his main areas of focus were the management and operations of infrastructure and utilities in the transport and energy sectors. Mr Pollock also has broad experience in asset management and has acted as a Director on a range of 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 1989.

## BOARD OF DIRECTORS

### MR RICHARD HOSKINS BCOM, LLB (HONS)



Mr Hoskins joined Hastings Funds Management Ltd in May 2006 and was appointed as a Non-Executive Director of Perth Airport at that time. Mr Hoskins is a member of Hastings' Executive Management Team with his primary role being the Chief Executive Officer of Utilities Trust of Australia. Prior to joining Hastings, Mr Hoskins worked with the law firm Mallesons Stephen Jaques for over 16 years, including as a Partner from 1 January 2000. He specialised in project and infrastructure finance and was one of Perth Airport's principal legal advisers.

### MR LYNDON ROWE B EC (HONS)



Mr Rowe joined the Board as a Non-Executive Director in August 2004. Mr Rowe is Executive Chairman of the WA Economic Regulation Authority. He is also the former Chief Executive of the Chamber of Commerce and Industry of WA, a position he held from 1992 to 2004. In addition, he has been a Director of Westscheme Pty Ltd.

## EXECUTIVE TEAM



**BRAD GEATCHES**  
CHIEF EXECUTIVE OFFICER

**VICTOR HOWARD**  
CHIEF FINANCIAL OFFICER  
& COMPANY SECRETARY

**PETER COCK**  
CHIEF OPERATING OFFICER

**BRIAN KRAUSE**  
GENERAL MANAGER AVIATION  
BUSINESS DEVELOPMENT

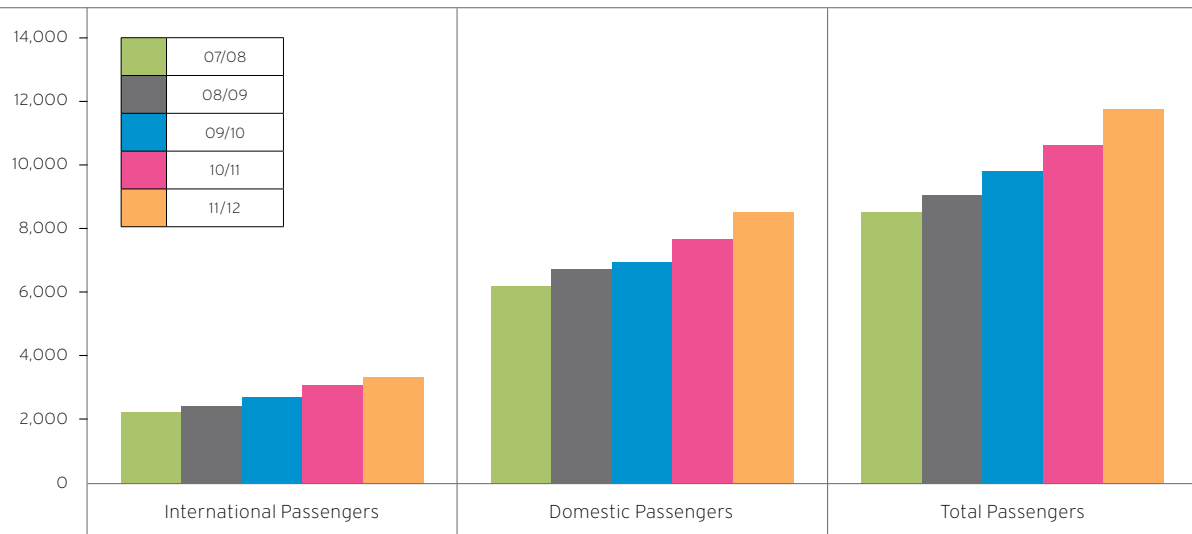
**FIONA LANDER**  
GENERAL MANAGER CORPORATE AFFAIRS  
& ORGANISATION DEVELOPMENT

**SCOTT NORRIS**  
GENERAL MANAGER COMMERCIAL  
SERVICES

**GUY THOMPSON**  
GENERAL MANAGER INTEGRATED  
PLANNING & MAJOR PROJECTS

## PASSENGER STATISTICS

### FIVE YEAR COMPARISON FOR INTERNATIONAL AND DOMESTIC PASSENGERS



INTERNATIONAL PASSENGERS		CHANGE		DOMESTIC PASSENGERS		CHANGE	
2007-08	2,512,656	291,358	13.1%	2007-08	6,666,498	798,279	13.6%
2008-09	2,618,738	106,082	4.2%	2008-09	7,116,335	449,837	6.7%
2009-10	2,993,874	375,136	14.3%	2009-10	7,470,097	353,762	5.0%
2010-11	3,265,581	271,707	9.1%	2010-11	8,185,872	715,775	9.6%
2011-12	3,492,160	226,579	6.9%	2011-12	9,140,640	954,768	11.7%

Source: PAPL





T1 EXPANDS TO INCLUDE DOMESTIC SERVICES IN MID 2014.

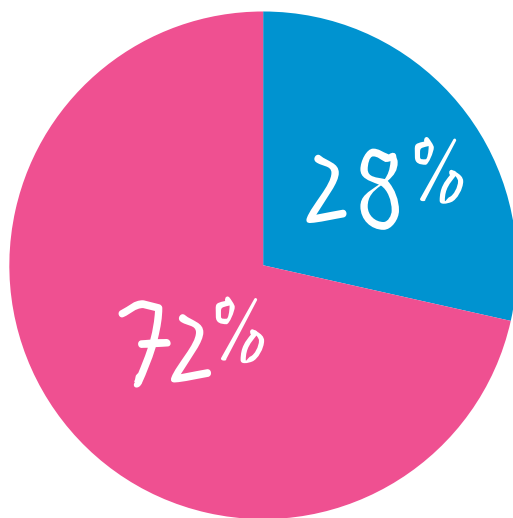
*Introducing  
Carly Burwood,  
Senior Environmental  
Officer*

"My job is very dynamic and interesting, there is always something happening. It is an exciting time with all the works underway, as environment plays an important part in the management of the estate."



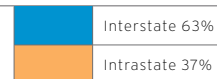
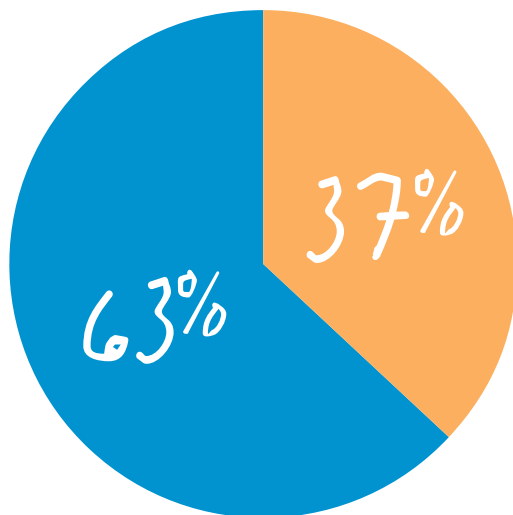
## PASSENGER STATISTICS

### PROPORTION OF DOMESTIC AND INTERNATIONAL PASSENGERS FOR PERTH AIRPORT FY 2011/12



Source: PAPL

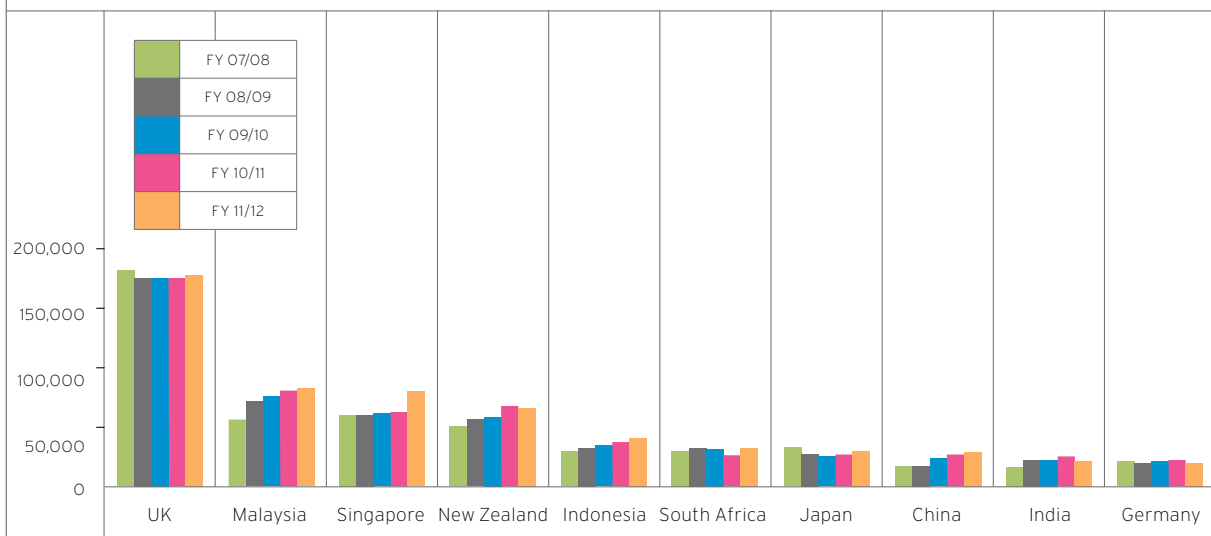
### PROPORTION OF INTERSTATE AND INTRASTATE PASSENGERS FOR PERTH AIRPORT FY 2011/12



Source: PAPL

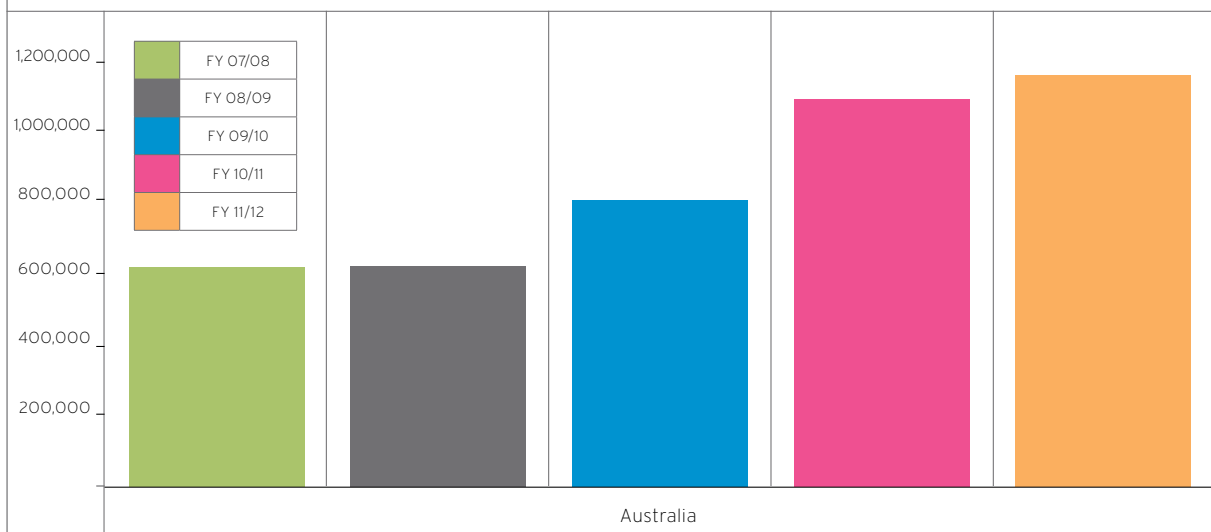
## PASSENGER STATISTICS

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



Source: Department of Immigration and Citizenship

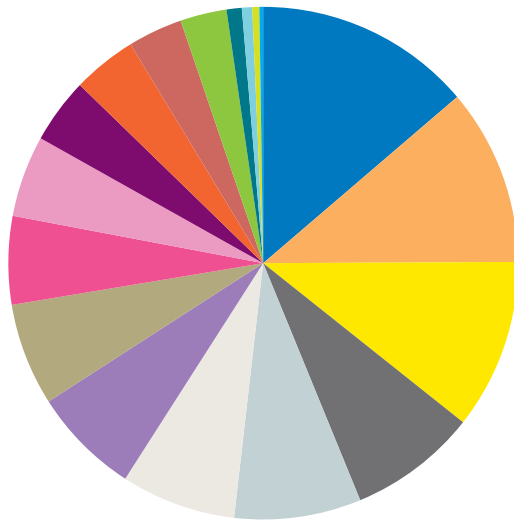
### FIVE YEAR COMPARISON FOR AUSTRALIAN NATIONALITY PASSENGER DEPARTURES FOR PERTH AIRPORT



Source: Department of Immigration and Citizenship

## PASSENGER STATISTICS

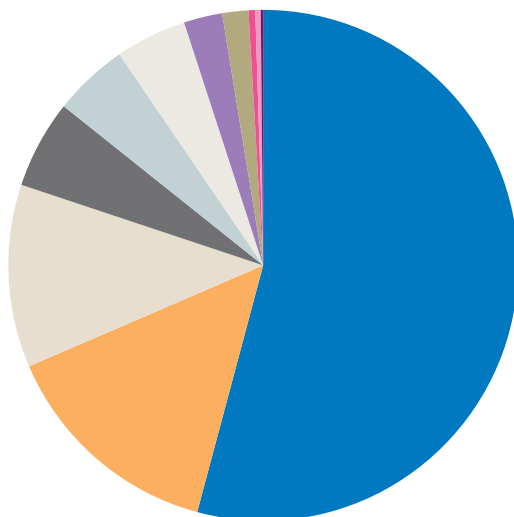
**TOTAL INTERNATIONAL PASSENGER ARRIVALS BY AIRLINE  
FOR PERTH AIRPORT FOR FY 2011/12**



Singapore Airlines	14%
Qantas Airways	11%
Emirates	11%
Indonesia AirAsia	8%
Jetstar	8%
Garuda Indonesia	7%
Maylasia Airline System	7%
AirAsia X	6%
Cathay Pacific	6%
Virgin Australia	5%
Air New Zealand	4%
Thai Airways	4%
South African Airways	3%
Tiger Airways	3%
China Southern	1%
Air Mauritius	0.6%
Royal Brunei	1%
Air Australia (Strategic)	1%

Source: Department of Immigration and Citizenship

**TOTAL INTERNATIONAL PASSENGER ARRIVALS BY REGION OF NATIONALITY  
FOR PERTH AIRPORT FOR FY 2011/12**

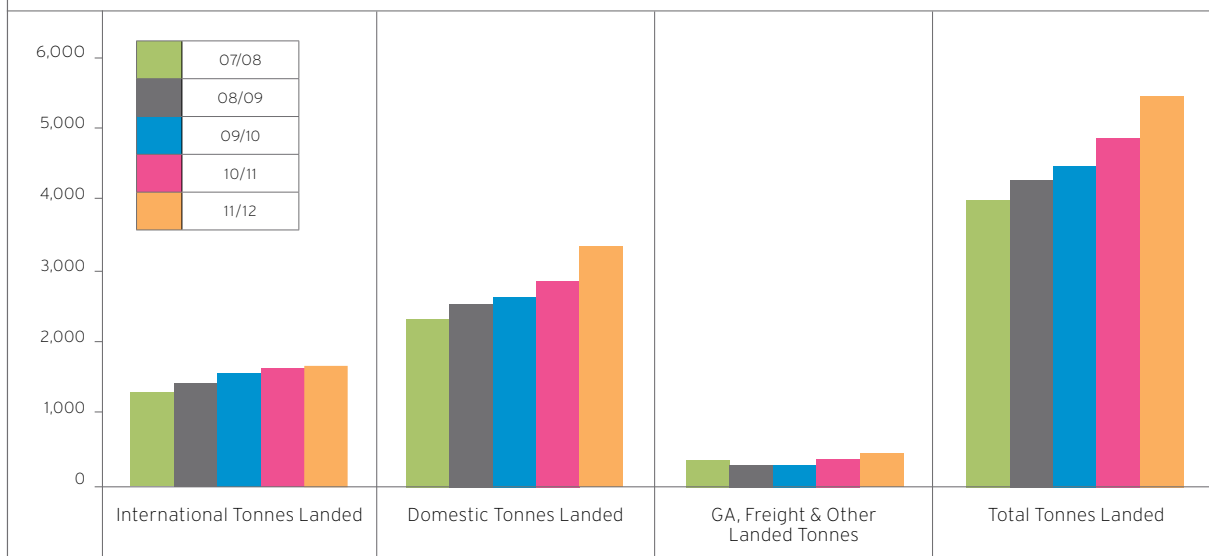


Australia	54%
South East Asia	14%
UK and Ireland	12%
Europe & Former USSR	6%
North East Asia	5%
New Zealand	5%
Africa	2%
North America	2%
Middle East	
South/Central America	
Other	

Source: Department of Immigration and Citizenship

## AIRPORT OPERATING STATISTICS

FIVE YEAR COMPARISON FOR TOTAL LANDED TONNES

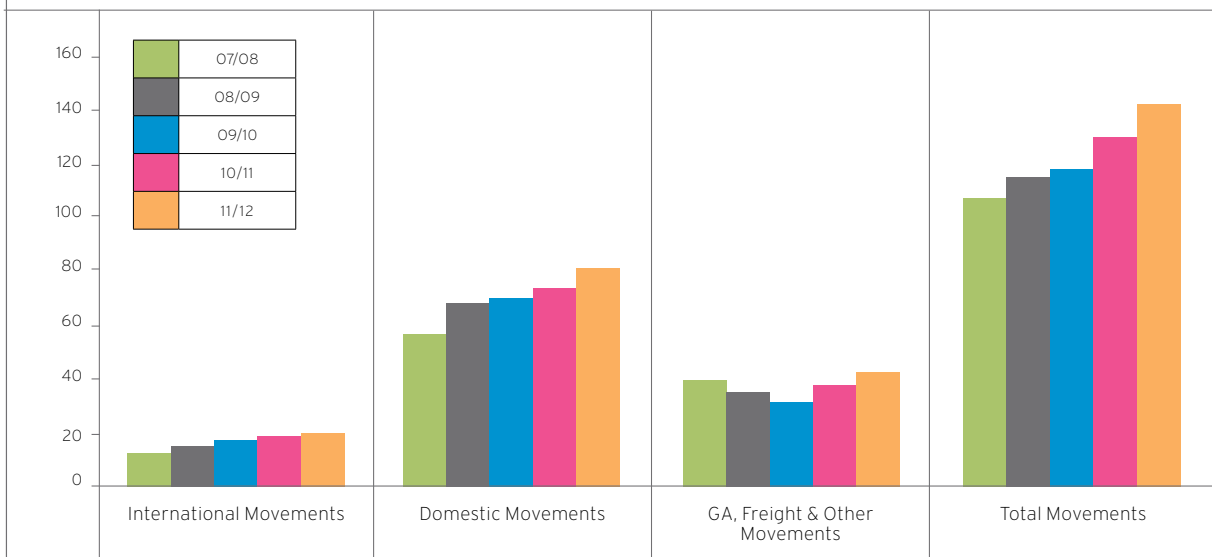


	INTERNATIONAL LANDED TONNES			DOMESTIC LANDED TONNES			GA, FREIGHT & OTHER LANDED TONNES				
		CHANGE			CHANGE			CHANGE			
2007-08	1,274,653	91,415	7.7%	2007-08	2,347,259	242,505	11.5%	2007-08	368,350	19,012	5.4%
2008-09	1,391,623	116,970	9.2%	2008-09	2,537,542	190,283	8.1%	2008-09	320,664	-47,686	-12.9%
2009-10	1,535,454	143,831	10.3%	2009-10	2,652,494	114,951	4.5%	2009-10	299,213	-21,451	-6.7%
2010-11	1,618,953	83,499	5.4%	2010-11	2,852,112	199,618	7.5%	2010-11	383,517	84,304	28.2%
2011-12	1,653,302	34,349	2.1%	2011-12	3,330,467	478,355	16.8%	2011-12	447,505	63,988	16.7%

Source: PAPL

## AIRPORT OPERATING STATISTICS

### FIVE YEAR COMPARISON FOR TOTAL AIRPORT MOVEMENTS



INTERNATIONAL MOVEMENTS		CHANGE		DOMESTIC MOVEMENTS		CHANGE		GA, FREIGHT & OTHER MOVEMENTS		CHANGE	
2007-08	12,907	1,516	13.3%	2007-08	56,330	7,206	14.7%	2007-08	38,252	-699	-1.8%
2008-09	14,717	1,810	14.0%	2008-09	66,521	10,191	18.1%	2008-09	34,092	-4,160	-10.9%
2009-10	17,420	2,703	18.4%	2009-10	69,420	2,899	4.4%	2009-10	31,325	-2,767	-8.1%
2010-11	18,902	1,482	8.5%	2010-11	72,821	3,401	4.9%	2010-11	37,343	6,018	19.2%
2011-12	19,723	821	4.3%	2011-12	80,554	7,733	10.6%	2011-12	41,802	4,459	11.9%

Source: PAPL

## AIRPORT OPERATING STATISTICS

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

PORT	AIRLINE	TOTAL 2010/11 SEATS	% CHANGE SEATS	TOTAL 2010/11 AVAILABLE FLIGHTS	% CHANGE FLIGHTS	TOTAL 2009/10 SEATS	TOTAL 2009/10 AVAILABLE FLIGHTS
AUCKLAND	AIR NEW ZEALAND	82,469	10.8%	362	9.7%	74,434	330
BANGKOK / PHUKET	THAI AIRWAYS	103,852	-3.0%	342	-3.7%	107,027	355
BRUNEI	ROYAL BRUNEI	9,572	-75.4%	68	-66.3%	38,946	202
COCOS/ CHRISTMAS ISLAND	VIRGIN AUSTRALIA	25,768	3.9%	209	3.5%	24,808	202
DENPASAR	GARUDA	176,613	19.6%	1,080	18.4%	147,726	912
	INDONESIA AIRASIA	199,260	-3.6%	1,107	-3.6%	206,640	1,148
	JETSTAR	101,268	56.6%	571	56.9%	64,685	364
	STRATEGIC AIRLINES	8,025	-65.2%	46	-65.9%	23,079	135
	VIRGIN AUSTRALIA	90,720	29.9%	504	29.9%	69,840	388
DUBAI	EMIRATES	225,542	10.5%	735	1.2%	204,190	726
GUANGZHOU	CHINA SOUTHERN AIRLINES	29,412	100.0%	101	100.0%		
HONG KONG	CATHAY PACIFIC	122,594	10.7%	461	11.1%	110,770	415
	QANTAS	42,002	-7.0%	142	-8.4%	45,161	155
JAKARTA	JETSTAR	22,304	26.4%	124	26.5%	17,640	98
JOHANNESBURG	SOUTH AFRICAN AIRWAYS	83,102	-11.0%	317	-8.1%	93,331	345
KOTA KINABALU	MALAYSIA AIRLINES	15,241	100.0%	90	100.0%	11,751	72
KUALA LUMPUR	AIRASIA X	146,306	-1.0%	382	-1.5%	147,838	388
	MALAYSIA AIRLINES	146,443	-0.1%	518	-0.4%	146,543	520
MAURITIUS	AIR MAURITIUS	15,423	-6.0%	56	-5.1%	16,411	59
PHUKET	VIRGIN AUSTRALIA	37,080	23.4%	206	23.4%	30,060	167
SINGAPORE	JETSTAR	65,276	-0.3%	363	-0.5%	65,485	365
	QANTAS	205,394	1.0%	701	0.0%	203,355	701
	SINGAPORE AIRLINES	292,666	10.2%	1,010	8.4%	265,620	932
	TIGER AIRWAYS	65,324	1.2%	366	1.1%	64,576	362
TOKYO - NARITA	QANTAS		-100.0%		-100.0%	25,190	110
<b>TOTAL</b>		<b>2,311,656</b>	<b>4.8%</b>	<b>9,861</b>	<b>4.3%</b>	<b>2,205,106</b>	<b>9,451</b>

Source: PAPL





A NEW DOMESTIC PIER FOR VIRGIN AUSTRALIA, 2014

*Introducing  
Clive Bell,  
Financial  
Controller*

"I enjoy working in a committed team  
within a company that is going through a  
period of sustained development  
and change."



## FINANCIAL RESULTS SUMMARY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	ACTUAL 11/12* \$M	ACTUAL 10/11* \$M	ACTUAL 09/10* \$M	ACTUAL 08/09* \$M	ACTUAL 08/07* \$M
<b>Revenues from Continuing Operations Excluding Finance Revenue</b>					
Aeronautical charges	120.0	102.5	85.9	79.1	73.3
Trading revenue	47.0	42.7	38.8	34.3	32.6
Ground transport services	65.9	55.6	44.7	40.8	34.2
Investment property rentals	59.4	55.0	50.4	35.1	26.0
Net gain from premium leasing	16.4	11.4	-	-	-
Recharge property service costs	34.0	32.4	25.1	19.5	14.3
Other	1.7	1.2	1.4	1.0	0.9
<b>Total Revenues from Continuing Operations Excluding Finance Revenue</b>	<b>344.4</b>	<b>300.8</b>	<b>246.3</b>	<b>209.8</b>	<b>181.3</b>
<b>Other Income Excluding Finance Revenue</b>					
Fair value adjustment to investment land and buildings	377.5	-4.7	1.3	-39.9	24.8
<b>Total Other Income Excluding Finance Revenue</b>	<b>377.5</b>	<b>-4.7</b>	<b>1.3</b>	<b>-39.9</b>	<b>24.8</b>
<b>Operating expenses</b>					
Employee expenses	30.6	27.5	23.9	21.0	19.3
Services and utilities	64.7	58.1	47.4	40.8	33.3
General administration and other	16.5	14.2	12.0	13.0	-0.7
Leasing and maintenance	6.3	5.2	4.9	4.5	4.2
<b>Total Operating Expenses</b>	<b>118.1</b>	<b>105.0</b>	<b>88.2</b>	<b>79.3</b>	<b>56.1</b>
<b>EBITDA**</b>	<b>603.8</b>	<b>191.1</b>	<b>159.4</b>	<b>90.6</b>	<b>150.0</b>
<b>Finance Revenue</b>					
Interest revenue	4.2	2.9	1.9	1.5	2.0
<b>Total Finance Revenue</b>	<b>4.2</b>	<b>2.9</b>	<b>1.9</b>	<b>1.5</b>	<b>2.0</b>
<b>Non Operating Expenses</b>					
Depreciation and amortisation	29.8	20.5	19.0	15.1	13.1
Interest expense					
- Senior debt	83.8	80.2	65.4	44.8	40.3
- Subordinated shareholder loan	10.7	11.7	8.7	7.8	12.9
-Other	0.8	1.0	1.6	0.9	1.2
-Other borrowing expenses	49.08	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>174.2</b>	<b>113.4</b>	<b>94.7</b>	<b>68.6</b>	<b>67.5</b>
<b>Operating Profit/(Loss) Before Income Tax</b>	<b>433.8</b>	<b>80.7</b>	<b>66.6</b>	<b>23.5</b>	<b>84.5</b>

\* Revenues and expenses accounted for per International Financial Reporting Standards from 2007/08 onwards

\*\* EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation

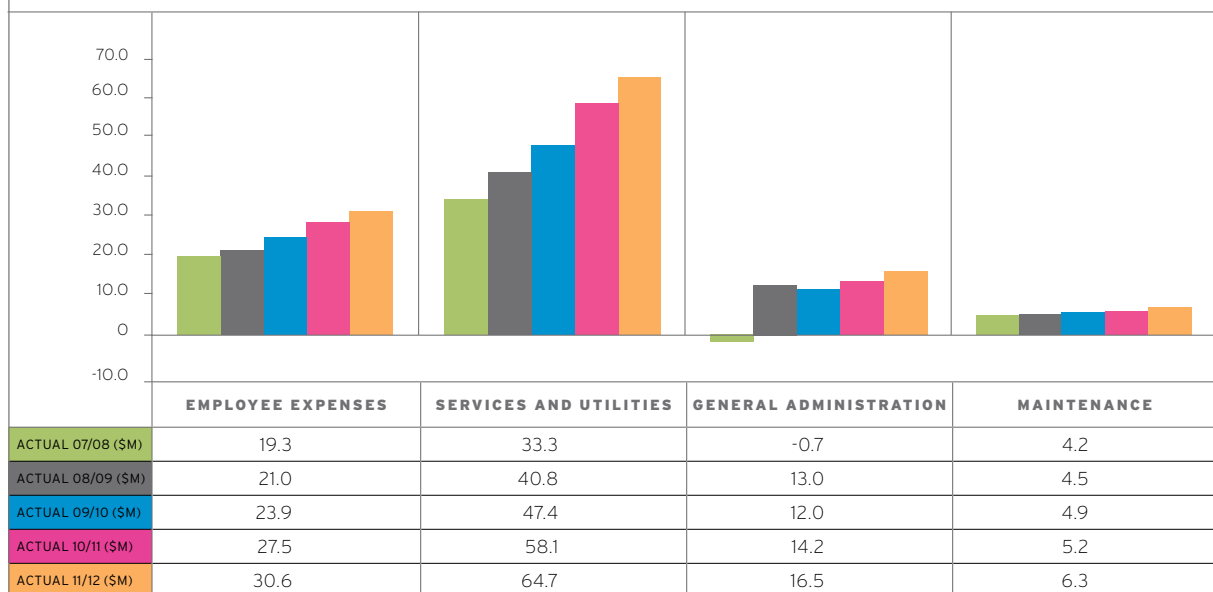
## FINANCIAL STATISTICS

### FIVE YEAR COMPARISON FOR OPERATING REVENUE



Source: PAPL

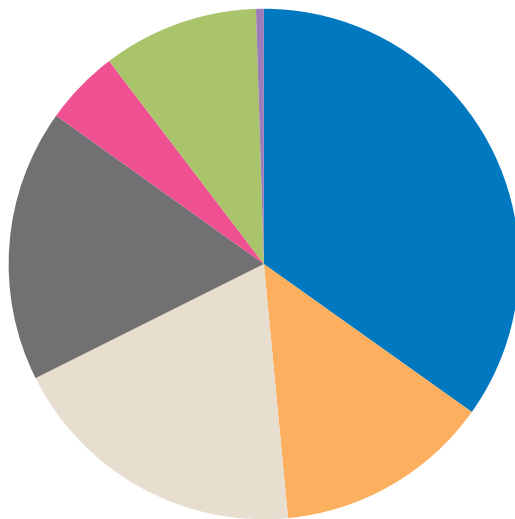
### FIVE YEAR COMPARISON FOR OPERATING EXPENSES



Source: PAPL

## FINANCIAL STATISTICS

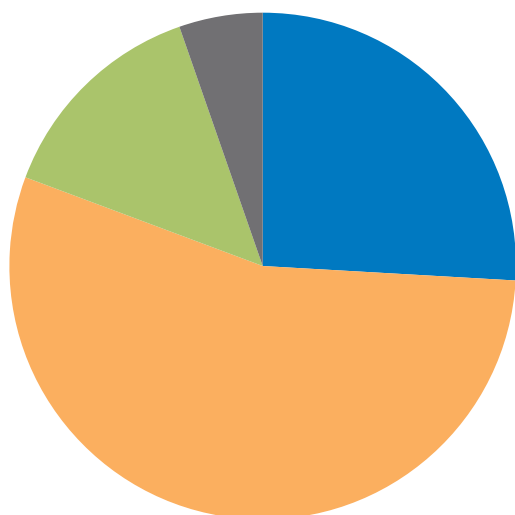
### OPERATING REVENUES FOR FY 2011/12



Aeronautical Charges	35%
Trading Revenue	14%
Ground Transport Service	19%
Investment Property Rentals	17%
Net Gain Premium Leasing	5%
Recharge Property Service Costs	10%
Other Revenue	0%

Source: PAPL

### OPERATING EXPENSES FOR FY 2011/12



Employee Expenses	26%
Services and Utilities	55%
General Administration and Other	14%
Leasing and Maintenance	5%

Source: PAPL

*Fastest growing major capital city airport for the seventh consecutive year.*

*Two new international airlines operating at Perth - China Southern Airlines and Qatar Airways.*

*Strong economy continues to support aviation growth.*

### Overview

Strong passenger growth continued in FY11/12 and, for the seventh consecutive year, Perth was the fastest growing major capital city airport in Australia. Total passengers grew by 10.3 per cent from 11.5 million to 12.6 million. There was good growth in all three major market segments including international, interstate and intrastate traffic.

Western Australia's strong economy, geographic isolation, FIFO workforce and high proportion of foreign born residents (33 per cent) all contribute to a high propensity to travel and a valuable market for airlines operating to Perth.

The Perth passenger base is very diverse, with people travelling for work, leisure, to visit friends and family and for education. Perth Airport is an integral part of the supply chain for many WA businesses.

### International Markets

International passengers grew by 6.9 per cent in FY11/12, while seat capacity grew by 4.8 per cent. Perth Airport continues to work closely with Tourism WA to attract new airlines and increase capacity from existing airlines. FY11/12 was another successful year in attracting new airlines.

Perth Airport welcomed two new international airlines, with China Southern Airlines starting three per week services from Guangzhou in November 2011 and Qatar Airways set to commence three per week services from Doha from July 2012. The China Southern Airlines service continues to Beijing on the same flight number, and is the first service to mainland China. China is Western Australia's largest trading partner and since the start of the new service, Chinese nationality passengers through Perth Airport have increased by 31.5 per cent.

Qatar Airways is a five star airline and offers a wide range of connections to Europe, the Middle East, Africa and North America via its Doha hub. The United Kingdom continues to be the single largest visitor market for Western Australia and, while visitor numbers from the United Kingdom are slightly down, there has been strong growth in Irish, French, German and Italian nationality passengers through Perth Airport. This growth comes despite the difficult economic climate in Europe and the new Qatar Airways service will help those markets continue to grow.

Other nationality groups with outstanding growth in FY11/12 included India (15.5 per cent), the Philippines (21.8 per cent) and New Zealand (17.7 per cent).

The continued strong growth in New Zealand traffic has resulted in Air New Zealand announcing it will increase capacity by upgrading their service from a 234-seat B767 to a 304-seat B777 aircraft from September 2012, representing a 30 per cent increase in capacity on the Auckland-Perth route.

### Interstate Markets

Interstate traffic grew by 8.2 per cent in FY11/12, buoyed by increased capacity from the major airlines.

Virgin Australia launched A330 services on the Perth - Sydney route in May 2011 and followed that with Perth - Melbourne services in May 2012.

Qantas continues to offer high frequency transcontinental services and a range of aircraft types including B747 aircraft. Jetstar has been steadily increasing their presence in Perth and, in June 2012, offered 50 flights per week compared to 46 flights per week in June 2011.

After its grounding in July 2011, Tiger Airways resumed Perth - Melbourne services in September 2011 and increased frequency to double daily in March 2012.

### Intrastate Markets

Resource sector demand growth continued in FY11/12, and intrastate traffic grew by 18.7 per cent. Karratha is the fourth largest domestic market from Perth with over 735,000 annual passengers and averaging more than 10 flights per day. A number of other regional ports continue to have strong air traffic growth including Port Hedland, Paraburdoo, Newman and Cloudbreak.

As major construction projects finish, the rate of growth is expected to slow materially, but the FIFO workforce is expected to continue to be a significant component of the resource sector workforce for some time to come.

### Outlook

The outlook is positive for all three major market segments. The strong Western Australian economic conditions are forecast to continue, and they create a positive environment for aviation growth.

Internationally, a number of airlines have announced increased capacity for the FY12/13 financial year including Emirates moving from 14 per week to 19 per week in December 2012 and then to triple daily in March 2013. Singapore Airlines will increase capacity from three per day to four per day for the Northern Winter schedule (late October 2012 to late March 2013) and AirAsia X increased from seven per week to nine per week in July 2012. Finally, Qatar Airways has announced their intention to increase their three per week service to daily in December 2012. Interstate growth is expected to continue as Virgin Australia continues to add wide body services to its transcontinental routes, and the Qantas Group competes with them. Regional traffic growth is expected to continue to grow with a number of resource sector construction projects creating demand.

## GROUND TRANSPORT

*2,075 new and refurbished long term parking bays delivered.*

*50 bay domestic Park & Wait facility delivered.*

*Domestic & international car rental ready bays expanded and refurbished.*

*International taxi facilities expanded and refurbished.*

In FY11/12, further enhancements have been made to the transport offer at Perth Airport. We continue to invest in this area to meet the demands created by changing demographic trends, such as increased leisure travel by Western Australian residents and a growing number of FIFO flights to regional Western Australia.

Revenue from ground transport increased by 18 per cent to \$65.9 million mainly due to passenger growth, improved ground transport agreements, increased car park capacity and ongoing promotional activities driving demand for multi-day long term parking.

### Car Parking

Perth Airport now has more than 15,500 car parking bays for passengers and staff.

We have undertaken significant activity to meet the dual objectives of providing sufficient capacity for all transport options, while raising the customer service outcomes of facilities across the airport. Customers continue to appreciate the ongoing investment taking place in this area, as evidenced by increasing car park usage and the improved results in the Australian Competition and Consumer Commission's annual pricing and service monitoring report. The report rates Perth Airport's car parks highly among the monitored airports for parking availability and accessibility.

Passenger growth, new and improved parking facilities and ongoing promotional activities have driven an increase in car park usage, especially for multi-day long term parking. Long term parking is particularly suitable for the Perth market, given the long distances to most destinations. Parking prices have remained competitive when compared to parking providers in Perth and other Australian capital city airports.

In FY11/12, expansion continued in both the international and domestic precincts with delivery of 1,075 new long





**CONNECT SHUTTLE BUSES PROVIDE CONVENIENT TRANSPORT FOR PASSENGERS FROM THE CAR PARKS TO THE TERMINALS, AND FROM THE AIRPORT TO THE PERTH CBD AND FREMANTLE.**

*Introducing  
Jennifer Sisson,  
Ground Transport  
Business Manager*

"Ground transport is an exciting area of the airport business as the products we provide, such as car parking, have a significant influence on customer experience.

Managing a business unit through a period of major growth and development is an amazing opportunity and I am proud to be a part of the team delivering the transformation of Perth Airport."



## GROUND TRANSPORT

term car parking bays and refurbishment of 1,000 existing long term car parking bays. This investment enables Perth Airport to accommodate growth and continue to improve the level of customer service amenity offered to airport users.

All new or refurbished bays are built to a contemporary, high standard that provides customers with safe, well lit and well designed parking areas. The service level standard is being received positively by customers and the product is becoming very popular for people on coast-to-coast business trips, family holidays and FIFO workers.

A new car park management system was delivered in FY10/11 and it has delivered a more reliable, faster and easier experience for customers at Perth Airport.

The system has also enabled customers to conveniently use their credit cards for ticket-less parking.

### Park & Wait

A new Park & Wait facility was opened in October 2011 to offer a convenient and safe option for motorists visiting the domestic precinct to pick-up passengers, while encouraging them to obey the "No Stopping" road rules along Brearley Avenue. Use of the Park & Wait area is via a gold coin payment, with profits donated to childrens' charities including the Princess Margaret Hospital Foundation and Youth Focus.

### Car Rental

Expansion and refurbishment of new car rental ready bays delivered additional parking areas for rental companies and improved the level of customer service for customers, with the inclusion of a comprehensive way-finding signage package, vending machines for food and beverage, baggage trolleys and a covered walkway from the International Terminal.

### Taxis

To continue to meet the needs of customers, Perth Airport opened a new and improved taxi rank at the International Terminal in June 2012 and will construct a second taxi rank at the Domestic Terminals in FY12/13. The new taxi area is connected to the International Terminal via an at-grade covered walkway. The rank has eight pick-up bays and incorporates the use of technology, as well as marshals, to ensure a smooth flow of taxis and passenger facilitation.

Taxi drivers also benefited from the relocation, with a new amenities building which includes a new taxi holding area with vending machines, rest rooms and an external wash area. Plans to introduce a second taxi rank at the domestic precinct are also underway.

### Outlook

Ongoing investments are planned for completion over the next 12 months as Perth Airport continues to accommodate growth and improve the level of customer service offered. Investments include:

- A Park & Wait facility for the international precinct.
- Refurbishment of domestic staff parking facilities.
- Expansion of General Aviation parking facilities.
- Deployment of dynamic way-finding signage within the domestic car park network.
- Refurbishment and expansion of domestic taxi facilities.
- Reconfiguration of the domestic short term car park.
- Reconfiguration and expansion of the international terminal forecourt.
- The introduction of an online car park booking system.

## RETAIL

*Positive retail growth achieved despite headwind from strong AUD.*

*Duty Free concession out for tender.*

*Significant retail expansion incorporated into new terminal developments.*

*Three new and refurbished stores.*

*Five new rental agreements in place.*

Retail revenue rose by 10 per cent to \$47.4 million as a result of continued passenger growth, full year trading of new concessions and renegotiated contracts.

With the completion of the retail upgrade in Terminal 3, Perth Airport's retail focus has been on the consolidation of new outlets as well as planning for future terminal developments. The redevelopment of Perth Airport sets the stage for a new level of customer service and retail experience.

In FY11/12, the leasing process commenced for 11 new food and beverage and specialty outlets across the new Domestic Terminal and International Arrivals expansion. Work also commenced on the International Arrivals expansion, which will deliver a brand new walk-through duty free store, doubling the existing footprint, new foreign exchange outlets, convenience and telecommunication stores.

### **Domestic Terminal**

In FY11/12, consolidation of the Red Rooster, Sumo Salad, Hudsons Coffee and Beachculture outlets occurred in Domestic Terminal 3. Since the completion of the terminal upgrade, the new outlets have proven popular with passengers and staff, and sales have exceeded expectations. The introduction of new Automatic Teller Machines (ATMs) has increased the convenience for passengers, offering further banking choices in the domestic precinct.

### **International Terminal**

With the expiry of the major duty free contract due in October 2013, a competitive process to select a duty free operator commenced in FY11/12 and is anticipated to conclude in a timely manner to meet the requirements for the expiry date. A foreign exchange contract was awarded to Travelex enabling Perth Airport to maximise the value of the major contract through

## RETAIL

providing choice and convenience to passengers.

This includes the ability to pre-order foreign currency online and collect it at the airport commission free, multi-currency ATMs and the introduction of cash-to-cash changing machines.

In addition, new ATMs have been added to the banking brands at the terminals, broadening the choice for passengers travelling internationally.

A new Purely Australian store opened in the International Terminal, offering a choice of gift and souvenir products to international visitors and departing Australians. The Newslink News and Books stores were also refurbished.

In order to accommodate passenger growth and increase passenger circulation space, two retail outlets in the International Terminal departures lounge were closed and converted to passenger seating, circulation and boarding areas.

### Advertising

Following the awarding of the advertising concession to APN Outdoor, Perth Airport has consolidated its position as one of Western Australia's key advertising locations with the installation of the State's first large format outdoor digital billboard on Brearley Avenue and digital signage network, in addition to other inventory inside the terminals.

## PROPERTY

*No vacancies across the investment building portfolio.*

*Increased leasing activity associated with airport redevelopment.*

*Significant capital lease transactions.*

*Commencement of '5 Star Green Star' office building.*

*Five new rental agreements in place.*

### Overview

Strong economic growth and aviation activity in Western Australia continues to underpin the commercial property market at the airport, with ongoing demand for aviation related facilities, large format industrial product and office space.

Perth Airport continues to hold a significant land bank available for non-aeronautical development purposes and remains well positioned as the shortage of large industrial sites and office space maintains demand for Perth Airport land. During the later stages of FY11/12, with steady demand for large format prime industrial product and high grade office space, Perth Airport picked up the pace of its property development program and is now actively pursuing design and construct opportunities in the industrial and office sectors where

we already have a proven track record.

Low office vacancy rates in the Perth CBD and supply of new office space not keeping up with demand is driving an upward pressure on CBD rents and triggering a reactivation of the suburban office market. Under our development program and policy to facilitate existing tenant expansion requirements, the airport commenced construction of a third building for Rio Tinto Iron Ore division. This is a '5 Star Green Star' 'A' grade office building situated in the airport's office park. Rio Tinto will have a total footprint of approximately 12,000m<sup>2</sup> in the office park once the development is complete.

As consolidation of the aviation precinct continues, the demand for terminal lounges, engineering and office space, as well as stand-alone aeronautical support facilities, increases. Perth Airport has advanced the sub-division of land to facilitate the development of hangar and freight facilities in close proximity to the new terminal.

Property related revenue increased by 16.8 per cent over FY11/12 to \$78.4 million. Growth is attributed to capital site leases, market reviews, lease renewals and tenant expansions. Capital site lease receipts contributed \$18.4m to overall property revenue.



THE NEW INTERNATIONAL TERMINAL DEPARTURES AREA TO SERVICE THE A380 AIRCRAFT.

### Our Approach

Perth Airport plays an important role in the lives of many Western Australians and is one of the State's most important public infrastructure assets. The vast distances separating population centres within our State and beyond means that aviation services play a significant role in the State's economic, social and cultural activities. Perth Airport takes its role as a corporate citizen seriously; our relationship with the Western Australian community is an essential part of our company values. We are committed to building enduring relationships, working with local communities to build partnerships and contribute to a wide range of community activities, supporting organisations, families and groups.

### Public Viewing Area

In order to provide an area for the community and aircraft enthusiasts to view aircraft arrivals and departures, Perth Airport opened a purpose-built, dedicated viewing platform offering prime views of the main runway (runway 03/21) in December 2011.

The viewing area is 200 square meters in size, has capacity for 100 people and has been cleverly designed to incorporate elements of aircraft history. The shelter reflects the shape of the body section of a Boeing 747, and a section of paving has been laid that is 120 feet in length - the same length as the first airborne flight undertaken by the Wright brothers in December 1903. The viewing platform has a fantastic view of the main runway, and is as close as the public could ever hope to get to watch an arrival or departure. The signage in place at the platform is educational, so that people can learn about the history of aviation and the airport while they watch the aircraft.

### Community Support

In FY11/12, Perth Airport launched a Community Partnership Program which provides guidance to applicants seeking funding for initiatives. The process allows us to effectively manage our relationships with local communities, and provide a transparent process for decision making.

The Community Partnership Program helps us plan and develop programs that respond to both community and business priorities, while focusing on the areas of:

- Youth and Education
- Community and Culture
- Environment

During FY11/12, Perth Airport was proud to support the following groups:

- Activ City to Surf
- Australian Hotels Association
- Belmay Primary School
- Belmont Business Enterprise Centre
- Breast Cancer Care WA
- Business & Professional Women's Association WA
- Customs Brokers & Forwarders Council of Australia Inc.
- Camp Quality
- Cancer Council WA
- Canning Vale Senior Football Club
- Carlisle Primary School
- Caversham Primary School
- City of Belmont - Community Events Program and Art Awards
- Cloverdale Primary School
- Cure For Cancer
- Cyril Jackson Senior Campus
- Darling Range Sports College
- Dawson Park Primary School
- Department for Child Protection





FORRESTFIELD PRIMARY SCHOOL'S KITCHEN GARDEN PROJECT, FUNDED BY PERTH AIRPORT.

*Introducing  
Jessica Reid,  
Communications  
Officer*

"It's exciting to be working at Perth Airport through the largest period of redevelopment we've seen in its history. Once complete, Perth Airport will be unlike any other airport in Australia. To be part of a project of this historical significance is highly rewarding."



## COMMUNITY

- Eastern Metropolitan Regional Council
  - Autumn Festival
- Eden Park Primary School
- Foodbank WA
- Foothills Early Years Community Group
- Forrestfield Primary School
- Gibb Street Primary School
- Guildford Heritage Festival
- Guildford Primary School
- Hospitality Group Training
- Inspire Foundation
- ISAF Sailing World Championships
- Kewdale Primary School
- Lathlain Primary School
- Lord Mayor's Distress Relief Fund - Margaret River Fire Appeal
- Meerilinga
- Midvale Primary School
- Mission Australia
- Mount Helena Whim Festival
- Movember Foundation
- Ngala Children's Services
- Parkerville Children & Youth Care
- Polytechnic West
- Princess Margaret Hospital Foundation
- Redcliffe Primary School
- Ride To Cure Cancer
- Shire of Kalamunda - Nature Discovery Playscape
- Swan Chamber of Commerce - Hanson Swan Business Awards 2012
- The Male Bag Ride
- Teen Challenge International WA
- Tourism Council WA
- Tranby Primary School
- United Way WA
- WA Regional Achievement and Community Awards

- WA Special Needs Christmas Party
- West Australian Ballet
- Wild West Comedy Festival
- Women's Council for Domestic & Family Violence Services
- Woodbridge Primary School
- Woodlupine Primary School
- Yidarra Catholic Primary School P&F Association
- Youth Affairs Council of Western Australia
- Youth Focus

### Supporting Tourism

In recognition of our role as the gateway to Western Australia, our close association and support of the tourism industry continued throughout the year.

We took the opportunity to further reinforce our support of the tourism industry by becoming the naming rights sponsor of the 2012 Perth Airport Western Australian Tourism Awards, which are delivered by Tourism Council WA.

Perth Airport again supported the Australian Tourism Export Council (ATEC) as the WA State Branch partner.

### Indigenous Culture

Perth Airport acknowledges the Noongar people as the traditional owners of the land on which the airport is located. Archaeologists date Indigenous activity in the Perth area to approximately 38,000 years ago, with Perth Airport and its surrounds forming part of a traditional network of communication routes linking the coast to the Darling Scarp, the upper Swan and Helena areas. Numerous ethnographic and archaeological sites are located on the estate.

In 2009, Perth Airport, the traditional owners and other Aboriginal Elders entered into an historic Partnership Agreement to engage, in good faith, for the ongoing development of Perth Airport and Aboriginal cultural heritage and reconciliation.

The Agreement provides the foundation for the parties to discuss airport planning issues, while also providing direct financial support through community sponsorships and tertiary scholarships.

We continue to liaise directly with the Noongar community through the following activities:

- Regular meetings between parties to the Agreement to discuss issues relating to airport development, conservation management and ongoing support for cultural awareness activities.
- Sponsorship of two categories in the City of Belmont Art Awards - Acquisitive Perth Airport prize for Aboriginal Art and the Perth Airport Non-Acquisitive Prize for an emerging Aboriginal Artist.
- Sponsorship of the Belmont Business Awards' Indigenous Small Business Award.
- Engagement of a representative from the Department of Environment and Conservation to provide Aboriginal awareness activities for the 400 students participating in Perth Airport's annual School Planting Program.
- NAIDOC Week celebrations were held across the airport estate and included a week long art exhibition in the International Terminal, a celebratory morning tea, guided tour of Munday Swamp and distribution of information brochures to visitors, passengers and staff at Domestic Terminal 3 and International Terminal 1.
- We purchased a piece of art by an emerging Indigenous artist, to join our Indigenous artwork collection displayed across the estate.
- We awarded Indigenous Scholarships to the value of \$5,000 per student per year, for the duration of the student's course, to students undertaking full-time studies at Edith Cowan University. Now in its third year, the program has provided annual funding

for two students, bringing the total number of scholarships awarded to six and a funding commitment of \$90,000 over five years.

### Stakeholder Engagement

We appreciated the opportunity to participate in meetings of the Perth Airports Municipalities Group, which brings together representatives of 11 local councils in regions whose residents have an interest in Perth's metropolitan airports. This forum has provided valuable insight into the views of local residents, as well as assisting to keep local councils informed of airport developments.

In FY11/12, member councils of the PAMG were:

- City of Armadale
- Town of Bassendean
- City of Bayswater
- City of Belmont
- City of Cockburn
- City of Gosnells
- Shire of Kalamunda
- City of Melville
- Shire of Mundaring
- City of South Perth
- City of Swan

As part of the Commonwealth Government's Aviation White Paper, all major capital city leased airports are required to establish and maintain a Planning Coordination Forum (PCF). The PCF aims to foster high level strategic discussions between the airport, the Commonwealth, State and Local Government representatives to promote better planning outcomes in relation to airport developments in the context of the broader urban setting.

Attendees of the Perth Airport PCF in FY11/12 included:

- Airservices Australia
- City of Belmont

## COMMUNITY

- Shire of Kalamunda
- City of Swan
- Main Roads WA
- Department of Planning (WA)
- Department of Transport (WA)
- Public Transport Authority
- Department of Infrastructure and Transport (Commonwealth)

Another recommendation of the Aviation White Paper was the establishment of Community Aviation Consultation Groups (CACGs). The first meeting of the Perth Airport CACG occurred in January 2012, with Ms Elizabeth Taylor appointed as the independent chairperson. The CACG administratively reports to the PAMG with a common secretariat, and meetings are held three to four times each year. The terms of reference for the Perth Airport CACG are to work collaboratively to recognise and enhance:

- the long term sustainability and growth of Perth Airport;
- Perth Airport's reputation as a responsible corporate citizen within the local and broader community; and
- Perth Airport's role as a major economic contributor for Western Australia.

The membership of the CACG is considered to be evolving, however, as at the end of FY11/12 it included:

### Community Groups & Local Government

- Fairskies
- Nature Reserves Preservation Group Inc
- City of Bayswater
- City of Belmont
- Shire of Kalamunda
- Shire of Mundaring
- City of Swan

### Industry

- Tourism Council WA

### Airline Operators

- Qantas Airways Limited
- Skywest Airlines
- Virgin Australia

### Commonwealth Government

- Office of the Member for Perth
- Member for Swan
- Member for Hasluck
- Office of the Member for Pearce (observer only)

### State Government

- Main Roads WA
- Department of Planning
- Department of Transport

### Airport Operator

- Perth Airport Pty Ltd

### CACG Advisors

- Commonwealth Department of Infrastructure and Transport
- Airservices Australia

### Aircraft Noise

There are significant social, economic and cultural benefits for Western Australians associated with the provision of air services. Perth's geographic isolation and multicultural population means that residents are highly dependent on air travel for business, leisure, family and education. There are, however, some communities impacted by aircraft noise and we remain committed to working with airlines, Airservices Australia and governments to minimise the impact of aircraft noise and to improve the information available to affected communities.

The position of Aircraft Noise Ombudsman (ANO) was created following the release of the Aviation White

## COMMUNITY

Paper in 2009, and this has proven to be beneficial. A review by the ANO into aircraft noise in Perth related to the three airports in the metropolitan area (Perth, Jandakot and Pearce) and resulted in recommendations being made to Airservices Australia to improve the information provided to assist the community better understand aircraft noise and its impacts. Further recommendations identified the merits of exploring minor changes to flight tracks to reduce noise in affected suburbs. The first of these areas is Beechboro and a trial is underway to test enhanced flight paths to reduce noise.

Work has progressed with Airservices Australia to develop a central portal for high quality, relevant information on aircraft noise for communities throughout Australia.

Perth Airport is making a significant contribution to the working group progressing this initiative. A dedicated resource focussing on this area of airport planning has recently joined the Perth Airport team.

In FY11/12, Perth Airport's Aircraft Noise Management Consultative Committee (ANMCC) continued to meet to contribute to the successful management of aircraft noise impacts for Perth Airport.

Membership of the ANMCC includes:

### **Airport Operator**

- Perth Airport Pty Ltd

### **Community**

- Bellevue Action Group
- The Guildford Association
- Cannington community representative

### **Local Government**

- City of Bayswater
- City of Belmont
- City of Canning
- City of Gosnells

- Shire of Kalamunda
- Shire of Mundaring
- City of South Perth
- City of Swan

### **Commonwealth Government**

- Airservices Australia
- Department of Infrastructure & Transport
- Member for Hasluck
- Member for Perth
- Member for Swan

### **State Government**

- Department of Environment & Conservation
- Department of Planning

### **Airline Operators**

- Qantas Airways Limited
- Virgin Australia

*New Domestic Terminal set for completion in December 2012 and to open early 2013.*

*Works have commenced on the International Arrivals expansion.*

*Construction on the new Domestic Pier and International Departures expansion to begin by the end of 2012.*

*Gateway WA to improve road access to the new consolidated airport precinct.*

As Perth Airport was recognised as the fastest growing capital city airport in Australia for the seventh consecutive year, we continue to invest in redevelopment plans that will transform one of the State's most important elements of infrastructure.

Our plans will not only facilitate this strong growth for years to come, they will also significantly enhance the customer experience. We are continuing our phased transition towards a consolidated airport precinct, with all large scale commercial air services to be operating from one convenient location, at the site of the current international precinct, by 2020.

Building on the \$200 million already spent, approximately \$750 million is being invested in the first phase of redevelopment. These works began in August 2011 with the commencement of construction of a new Domestic Terminal, and in June 2012 works commenced on the

International Arrivals expansion.

### New Domestic Terminal

The new \$120 million Domestic Terminal, located next to the current International Terminal, has been designed to meet the needs of air services for regional Western Australia, particularly the resource sector, as well as some interstate services. The new terminal will cater for up to 36 aircraft, and significantly improve the customer experience for regional travellers.

In early 2013, three airlines - Alliance Airlines, Skywest and Tiger Airways - will relocate to the new terminal.

The new Domestic Terminal will feature:

- Access via a 'walk-in' landscaped plaza.
- A check-in hall with 16 check-in counters.
- A large central passenger security screening zone.
- A spacious departures lounge with quality retail and food and beverage outlets, a landside convenience store and café.
- Access to 14 aircraft gates via high quality covered walkways, providing full protection from the elements.
- Three large baggage reclaim belts.
- Easy access to parking, taxis and buses for arriving and departing passengers.

A number of environmentally sustainable features have also been built into the design of the new terminal, including:

- Rainwater harvesting and re-use for toilets and gardens, with 2000 cubic metres of underground storage capacity.
- Underground ducting of ventilation for air-conditioning to reduce energy use.
- A sophisticated building management system to reduce energy consumption during operations.
- Construction of a co-generation plant, which is expected to reduce greenhouse gas emissions by up to 55% due to energy savings and use of gas.

## AIRPORT REDEVELOPMENT

### International Arrivals Expansion

The expansion of the International Arrivals area commenced in June 2012 and is scheduled for completion in mid 2014. This expansion project involves completely changing the arrivals experience for passengers, including:

- Doubling the size of all processing areas.
- Moving Immigration to the first floor by mid 2013, and incorporating additional SmartGate kiosks to facilitate faster processing.
- Significantly expanding the incoming duty free retail options on the first level.
- Expanding the Biosecurity (Quarantine) and Customs inspection area on the ground floor, with new and reconfigured border control processing facilities.
- Expanding the baggage reclaim hall with four new double loop and one single loop baggage belts.
- Establishing a new retail outlet in the arrivals hall, which will open in late 2012.

By separating Immigration and Biosecurity (Quarantine) and significantly increasing the size of these areas, it is expected that queuing and waiting times will be minimised and the customer experience will be enhanced.

### New International Outbound Immigration and Security Screening Areas

Planning is well underway to deliver a new security screening and outbound Immigration point on the first level of the International Terminal. The reconfigured security screening area has been designed to accommodate new body scanner technology, required under Commonwealth legislation.

Provision has also been made in the new outbound Immigration point to include automated border control equipment in the future.

The relocation of the Immigration point and screening

area will result in a remodelled and updated landside retail area, with an improved range of food and beverage outlets.

Work on this \$32 million project is expected to be completed in late 2013.

### New Domestic Pier and International Departures Expansion

Tenders for the largest and most complex component of the \$750 million redevelopment program, the construction of the new Domestic Pier and International Departures expansion, are due to be issued in FY12/13 and construction will commence by the end of 2012.

The new Domestic Pier includes:

- A spacious check-in hall with conventional services as well as provision for check-in kiosks and bag drop technology.
- A premium lounge for Virgin Australia.
- A departures concourse and lounge area with expansive views across the airfield.
- A spacious central retail and dining hub.
- A large arrivals hall with a café.

The new Domestic Pier measures 200 metres in length and will be accessed by a 50 metre link with travelators. For passengers requiring assistance, motorised buggies will be available to take them from the security screening area to their departure gate.

The International Departures expansion includes:

- A new international check-in area with 18 additional check-in counters.
- A spacious international departures lounge on the first floor, with seating for up to 800 passengers, new amenities, a retail outlet, a café and space for airline lounges.





NEW \$120M DOMESTIC TERMINAL, TO OPEN IN EARLY 2013

*Introducing  
Kym Meys,  
Senior Airport  
Planner*

"I enjoy being part of a team and a company that develops plans that don't just sit on the shelf, but are actually being put into action. It's exciting to see our plans and vision come to life, and that what we are working on everyday is benefiting the wider community."



## AIRPORT REDEVELOPMENT

Within the first 12 months of construction, the completion of one A380 gate will be fast-tracked to facilitate the introduction of regular A380 services by international airlines.

Forward works commenced in FY11/12 in preparation for the construction of the new Domestic Pier and International Departures expansion. This includes diverting and relocating existing underground services and the construction of a new combined logistics facility. Running parallel to these works is a project to address the reconfiguration of the forecourt, which includes ensuring efficiencies with the passenger drop-off and pick-up lanes, maintaining safety and ensuring the adopted 30 metre separation of vehicles from the terminal building facade can be met.

### Terminal Master Plan Review

In FY11/12, review of the Terminal Master Plan commenced in response to continued strong passenger and air traffic growth. This work will be completed in late 2012 and includes updating the future development strategy of the International Terminal, as well as developing the plan to consolidate all domestic operations in the international precinct.

### Improved Road Access

Gateway WA is a \$1 billion infrastructure project, jointly funded by the State and Commonwealth Governments, which will provide a critical gateway for the effective movement of people and freight in the Perth Airport, Kewdale and Forrestfield areas.

The project is expected to be completed in 2017, prior to consolidation of the Domestic and International Terminals.

In FY11/12, Perth Airport worked closely with the Gateway WA team to achieve an approved design, and made a significant contribution to the viability of this project by

agreeing to provide the land on the airport estate necessary for the upgrades, subject to the necessary approvals and agreements.

The work will be progressively undertaken in packages to minimise disruption to road users, residents and industry.

Package one of the works, scheduled for completion in early 2015, includes:

- A major freeway to freeway interchange at Tonkin Highway/Leach Highway, including a new primary access road to the consolidated airport terminals.
- A new interchange at Tonkin Highway/Horrie Miller Drive/Kewdale Road.
- A new interchange at Leach Highway/Abernethy Road.
- Upgrading Leach Highway between Orrong Road and Tonkin Highway to an expressway standard and associated upgrades to roads and intersections in the Kewdale freight precinct.
- A principal shared path along Tonkin and Leach Highways.

Package two of the works, expected to be finalised in 2017, includes:

- Upgrading the existing Tonkin Highway/Roe Highway interchange to a partial freeway to freeway interchange.
- Upgrading Tonkin Highway between Great Eastern Highway and Roe Highway to six lanes.
- Constructing a new interchange at Boud Avenue.

## ENVIRONMENT

We aim to operate and grow Perth Airport in a manner that reduces our ecological footprint through developing innovative solutions and management techniques and by engaging our staff, contractors, tenants and the wider community in our efforts.

The Perth Airport estate comprises 2,105 hectares, including 306 hectares identified as environmentally significant. Conservation areas provide habitat for a diverse range of fauna, and include rare species of flora and wetlands of ecological and cultural significance. Perth Airport's Conservation Precinct Management Plan highlights our sustainable approach to managing the airport's conservation precincts. This approach, in conjunction with Commonwealth legislative requirements, ensures the ongoing viability of key environmental and cultural values at Perth Airport.

The protection and enhancement of biodiversity within the conservation precincts is a key component of environmental management at Perth Airport. Annual revegetation of degraded areas is undertaken to restore, maintain and improve natural ecosystem functionality. In FY11/12, approximately 48,500 provenance seedlings (plants grown from seed collected on the airport estate) were planted within the airport's conservation precincts. Revegetation efforts were coupled with ongoing weed and pest control, to maximise survival rates.

In FY11/12, we continued our program of surface and ground water monitoring. The quarterly monitoring program provides information on water quality and flows into wetlands and across the estate's drainage network. Results obtained during FY11/12 are consistent with historical data, indicating that on-airport activities are not having any adverse impact on surface or ground water. Perth Airport continues to monitor the environmental impacts of all tenants on the airport estate.

Tenants are required to demonstrate a high level of environmental performance through the development of Operational Environmental Management Plans (OEMPs). All tenants, other than those with negligible environmental risk, are required to develop and operate in accordance with an OEMP approved by Perth Airport. Tenants with an OEMP are subject to regular audits to monitor compliance. In FY11/12, 26 audits were undertaken and 40 per cent of these were found to conform as a result of their audits, with most being low to medium risk businesses.

Where non-conformances were identified, tenants were required to develop corrective action plans and provide evidence that appropriate actions have been implemented.

Perth Airport also continues to manage potential environmental impacts of new construction and development projects. Projects with the potential to have a negative impact on an environmental factor are required to develop and implement a Construction Environment Management Plan (CEMP). Perth Airport audits the construction and development activities against the CEMP, and requires conformance with the actions stated in the plan.

Perth Airport also works closely with tenants in monitoring and remediating known contaminated sites. These include a variety of sites such as a fuel facility and taxi control centre and workshop. Some key highlights for the year included:

- Ongoing remediation of contaminated groundwater beneath the Perth Mint site.
- Completion of remediation and validation of a portion of the Joint Operations Supply Facility.

## ENVIRONMENT

### School Planting Program

Perth Airport is committed to working with local schools to enhance the physical characteristics of the conservation precincts and to increase environmental knowledge in the community. The FY11/12 annual School Planting Program was very successful, with 20 groups of students from 18 different primary and secondary schools participating in the program and assisting Perth Airport to plant more than 2,000 seedlings at Kwenda Marlark Wetland and the surrounding bushland.

### Heritage Approvals

Perth Airport is committed to working in partnership with the Aboriginal community to promote and raise awareness of Aboriginal culture with visitors, tenants and employees.

In FY11/12, Perth Airport applied for three Section 18 Notices under the Aboriginal Heritage Act 1972 for the removal of artifact scatters. These applications involved extensive consultation with local Aboriginal groups and individuals. Two of the Notices were granted by the Minister for Indigenous Affairs and one was deferred, with Perth Airport being instructed to firstly apply for a Section 16 Notice for the purpose of undertaking invasive sampling of the affected area.

### Sustainable Design

Planning for substantial airport redevelopment continues and incorporates a number of environmental initiatives. Key environmental considerations have been incorporated into the design of the new Domestic Terminal and other redevelopment projects including rainwater harvesting tanks, water-wise landscaping, energy efficient design using the cooling effect of the earth to pre-cool air conditioning and the construction of a co-generation energy plant to offset our current reliance on grid electricity.

### Outlook

Perth Airport continues to seek opportunities to operate in an ecologically sustainable manner. Key targets for FY12/13 include:

- Planting of 50,000 provenance seedlings within conservation precincts.
- Review of the Conservation Precinct Management Plan to deliver a more comprehensive ecological management initiative.
- Continuation of research into rare flora and opportunities to establish and manage the Western Swamp Tortoise habitat on the estate.
- Develop a Waste Management Strategy to reduce waste and the environmental footprint of waste management across the estate.
- Implement key initiatives in the Bushfire Management Plan.

*Successful implementation of the Commonwealth Heads of Government Meeting 2011.*

*Strategic review of the Perth Airport Aerodrome Emergency Plan.*

*Implementation of an exercise program.*

*Positive changes in emergency management reported by the Civil Aviation Safety Authority.*

Perth Airport's successful conduct of the Commonwealth Heads of Government Meeting (CHOGM) 2011 has been recognised by a number of Commonwealth and State Government agencies. In addition, a number of processes and tools developed specifically for CHOGM have been incorporated into Perth Airport's business as usual activities, including the ongoing use of a relocated and enhanced Emergency Coordination Centre (ECC). A number of projects designed to mature and consolidate Perth Airport's emergency response arrangements have also been completed. These include:

- A full strategic review of the Aerodrome Emergency Plan.
- Planning for the conduct of a Full Field Exercise in July 2012.
- Implementation of the new Perth Airport Exercise Program, including new exercise and debrief requirements and the finalisation of our Emergency Management Framework.

Improvements in this area have been well received by the airport community and government agencies, including the Civil Aviation Safety Authority (CASA), which noted in the aerodrome audit conducted in May 2012 that "Perth Airport has a robust system associated with emergency management".

Substantial effort continues to be applied in responding to, and planning for, an increasing number of regulatory amendments in the aviation security area including, but not limited to, a new Airport Security Classification System and the requirement for an Enhanced Inspection Area. The Security Services contract was comprehensively reviewed in FY11/12, following a similar review in FY10/11. A procurement process was undertaken in the last quarter of FY11/12, with substantial improvements in service delivery expected as a result.

*“Perth Airport has a  
robust system associated  
with emergency  
management.”*

*CIVIL AVIATION SAFETY AUTHORITY MAY 2012*

# FINANCIALS





**PERTH AIRPORTS' FREE PUBLIC VIEWING AREA - AS CLOSE AS YOU CAN GET  
TO AN AIRCRAFT TAKING OFF OR LANDING, WITHOUT BEING ON ONE.**

*Introducing  
Lukasz Nowak,  
IT&T Project  
Manager*

"I am lucky to work with very talented and committed people. We are all working hard to deliver the latest technology to our airport customers and partners to improve the experience and the way they do business. The IT&T team is constantly coming up with new ways to evolve current systems and help make Perth Airport a modern, safe and reliable place for travellers and visitors."





The Directors present their report together with the consolidated annual report of Perth Airport Pty Ltd for the financial year ended 30 June 2012 and the auditor's report therein.

The consolidated annual report of Perth Airport Pty Ltd comprises the financial reports of Perth Airport Pty Ltd ("the Company" or "PAPL") and its subsidiary Perth Airports Investments Pty Ltd, which form the consolidated entity ("the Group" or "consolidated entity").

The consolidated financial report complies with International Financial Reporting Standards as disclosed in note 1(b)(ii).

### Directors

The following persons held office as Directors during the financial year and up to the date of this report. Directors were in office for the entire period unless otherwise stated:

Mr David Crawford (Chairman)

Mr Denis Adams (resigned 27 June 2012)

Mr Ronald Doubikin

Mr Alan Dundas

Mr Alan Good

Mr Richard Hoskins

Mr Jeffrey Pollock

Mr Lyndon Rowe

Mr Luke Grabda (alternate director to Mr Rowe) was appointed on 19 September 2011 and ceased on 10 December 2011.

Mr Tom Snow (alternate director to Mr Rowe) resigned on 7 September 2011.

Ms Miriam Patterson (alternate director to Mr Pollock and Mr Hoskins) resigned on 26 August 2011.

Ms Alexandra Campbell (alternate director to Mr Pollock) was appointed on 20 September 2011.

Ms Suzanne Findlay (alternate director to Mr Rowe) was appointed on 9 January 2012.

### Company Secretary

Mr Victor Howard was appointed as Company Secretary on 26 May 2010.

### Corporate Structure

PAPL is a proprietary company limited by shares that is incorporated and domiciled in Australia. PAPL's registered address and principal place of business being Level 2, 2 George Wiencke Drive, Perth Airport, WA, 6105.

### Review of Operations

The operating profit after tax for the financial year is \$309,746,000 (2011: \$55,699,000).

### Significant Changes in the State of Affairs

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

### Nature of Operations and Principal Activities

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

## DIRECTORS' REPORT

### Dividends

Dividends declared and paid during the year ending 30 June 2012:

	CENTS PER SHARE	TOTAL AMOUNT \$'000	FRANKED / UNFRANKED	DATE OF PAYMENT
INTERIM ORDINARY DIVIDEND	0.20	30,000	Franked	16 December 2011
FINAL ORDINARY DIVIDEND	0.22	32,002	Franked	29 June 2012
		62,002		

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

### Share Options

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

### Aboriginal Heritage Regulation

PAPL is subject to Aboriginal heritage legislation for its land development activities. This legislation includes:

- Aboriginal Heritage Act 1972 (State)

### Environmental Regulation

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

- Airports Act 1996;
- Airports (Environment Protection) Regulations 1997;
- Environment Protection and Biodiversity Conservation Act 1999 (EPBC);
- National Environment Protection Measures (Implementation) Act 1998.

### 1. Airport Environment Strategy

The Perth Airport Environment Strategy received the approval of the Minister for Infrastructure, Transport, Regional Development and Local Government on 15 September 2009 in accordance with the Airports Act 1996.

### 2. Environment Reporting

An Annual Environment Report was submitted to the Department of Infrastructure, Transport, Regional Development and Local Government in October 2011 in fulfilment of the requirements under the Airports (Environment Protection) Regulations 1997. This report included a summary of environmental incidents which had potential to impact 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 (Implementation) Act 1998. A report was submitted to the Department of Environment and Conservation in September 2011.

### 3. Land Development Approvals

All development approvals initiated in the 2011/12 financial year complied with the Airports Act 1996, the Airports (Environment Protection) Regulations 1997, the Environment Protection and Biodiversity Conservation Act 1999 and the Aboriginal Heritage Act 1972.

### 4. Environmental Protection

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

### 5. Dangerous Goods

Dangerous Goods Licences are required under the Western Australian Dangerous Goods Safety Act 2004 for the fuel storage facilities operated by PAPL at the airport. All PAPL owned facilities are currently licensed in accordance with these Regulations.

## 6. Incidents

PAPL recorded a number of environmental incidents occurring at Perth Airport during the 2011/12 financial year, none of which were assessed as having serious consequences and/or long-term impact on the environment. Details can be found in the Annual Environmental Report.

## 7. Non-Compliance Notices / Prosecutions

The Board receives regular reports on compliance with environmental requirements.

### Security Management

PAPL 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, PAPL is responsible for the development of the Airport Security Program 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

PAPL 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. PAPL's OSH management system is the sum total of all the processes, procedures, training, activities and culture within the Company 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 PAPL 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.

### Risk Management

PAPL takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified in a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

Sub-committees of the Board are convened as appropriate in response to issues and risks identified by the Board as a whole, and each respective sub-committee further examines the issue and reports back to the Board. Sub-committees of the Board are outlined in the Corporate Governance Statement.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board.

These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of Key Performance Indicators of

both a financial and non-financial nature.

- The establishment of sub-committees to report on specific business risks including, for example, such matters as environmental issues, occupational health and safety and financial risks.

#### 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 6 and forms part of the Directors' Report for the year ended 30 June 2012.

#### Rounding Off

The Company is an entity of a kind referred to in ASIC Class Order 98/0100 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.

#### 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.

#### 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 6 and forms part of the Directors' Report.

#### 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 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 on 29 August 2012.



David Crawford

CHAIRMAN

Perth, Western Australia

30 August 2012



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### Auditor's Independence Declaration to the Directors of Perth Airport Pty Ltd

In relation to our audit of the financial report of Perth Airport Pty Ltd for the year ended 30 June 2012, 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 & Young

A handwritten signature in orange ink, appearing to read "R Kirkby".

R Kirkby

PARTNER

30 August 2012





EXCITING RETAIL, FOOD AND BEVERAGE HUB IN THE NEW DOMESTIC PIER, 2014.

*Introducing  
Mike Coles,  
Project Director,  
Major Projects*

"Taking responsibility for major construction projects involving such a diverse range of stakeholders always presents some interesting challenges, however, add the dynamics of working and interfacing within an operational airport takes you to another level. The tasks facing us can sometimes be overwhelming, but we are constantly reminded of what has and can be achieved and that inspires us every day."



### 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:

- Corporations Act (Cth) 2001
- Company's Constitution
- Shareholder's Agreement
- ASX Corporate Governance Principles and Recommendations with 2010 Amendments
- 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 the 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 Shareholder's 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

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 the Annual Financial 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 and treasury 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 Shareholder's 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 and Risk Committee;
2. Remuneration and Appointments Committee; and
3. Pricing and Financing 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 Board 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

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.

### 1. Audit & Risk Committee

The Board of Directors resolved to merge the Audit Committee and the Risk Management Committee in July 2011 to establish an Audit & Risk Committee (ARC) to provide oversight of the Company's approach to risk management, internal control and external financial reporting.

The ARC comprises four Directors nominated by the Board, all of whom are to have a sound understanding of, and functional knowledge in, risk management principles (including risk standards, industry best practice and the Company's Risk Management Framework), all of whom are to be financially literate (that is, be able to read and understand financial statements) and including at least two with financial qualifications (a qualified accountant or other finance professional with experience of financial or accounting matters). Two members of the ARC (at least one with a financial qualification) must be present to constitute a quorum.

The following directors are members of the ARC:

- Mr Alan Dundas (Chairman);
- Mr Denis Adams (resigned 27 June 2012);
- Mr Jeff Pollock;
- Mr Alan Good.

Matters that the ARC specifically addresses are as follows:

#### Risk Management

- Adequacy of risk management systems.
- Adequacy of risk management in respect of public/employee safety, environment and asset delivery/management including construction and commissioning of major terminal redevelopments.
- Adequacy of risk management in respect of integrated planning, including development of the 2014 Master Plan.
- Adequacy of business continuity planning, including information technology security and reliability.
- Material incidents that have occurred and their implications for the Company.
- Compliance, legal, industry and other developments that may materially impact the Company's risk profile, particularly those that may impact on the aerodrome operating license held by the Company.
- Any other risk management matters referred to it by the Board.

#### Audit

- Adequacy of the annual financial report and all other financial information published by the Company.
- Adequacy of the Company's internal financial/accounting controls, including integrity of financial reporting, compliance with applicable laws, regulations & standards and fraud detection.
- Adequacy of the Company's insurance program.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, 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 to ensure it does not adversely impact auditor independence.
- Approve an internal audit plan and approve appointment of suitable individuals and organisations to undertake audits consistent with the internal audit plan.
- Review all management letters issued by the internal and external auditors and review any significant recommendations by the auditors to strengthen internal controls and reporting systems.
- Review and monitor management's response to internal and external audit findings.
- Review any changes in accounting policies or practices and subsequent effects on the Company's financial accounts.
- Any other financial, accounting or insurance matters referred to it by the Board.

### 2. 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.

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 are as follows:

- Executive Team organisation structure and roles.
- Role clarity, key result areas and targets for the CEO and the 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. The PAPL Board approved Director's Remuneration Scheme provides for payment of directors fees to directors appointed by shareholders in proportion to the respective shareholding of each shareholder in the

## CORPORATE GOVERNANCE STATEMENT

parent entity Perth Airport Development Group Pty Ltd. Directors that are independent are remunerated directly by the Company. During the year \$1,108,773 (2011: \$903,316) of Directors Fees was paid to Directors of PAPL. 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.

### 3. Pricing and Financing Committee

The Board of Directors established a Pricing and Financing Committee ("PFC") on 24 May 2011 to provide additional oversight of pricing policy, significant commercial transactions, capital structure and financing.

The following directors are members of the Pricing and Financing Committee:

- Mr David Crawford (Chairman);
- Mr Richard Hoskins;
- Mr Ronald Doubikin;
- Mr Jeff Pollock.

The PFC exists to undertake additional oversight on behalf of the Board of pricing, significant commercial transactions and the Company's capital structure and financing. The PFC does not have power to make decisions on behalf of the Board. The Chairman of the PFC reports to the Board on matters addressed by the PFC and makes recommendations to the Board on behalf of the PFC.

Matters that the PFC specifically addresses are as follows:

- Aeronautical price negotiations.
- Pricing of ground transport products, particularly car parking.
- Retail concessions/agreements that, under delegations of authority, require Board approval.

- Property lease agreements, including premium leases.
- Investment hurdle rates/return expectations.
- Approach to project financial evaluation.
- Capital structure.
- Financing strategy.

### Capital Management Policy and Treasury Policy

Consistent with its objective of maintaining a capital structure and debt coverage levels that are in line with an established investment grade rated Company, the Board has adopted a prudent approach to financial risk management through the development and approval of a Capital Management Policy and a Treasury Policy. These policies are 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.

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012		CONSOLIDATED	
	NOTES	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	75,002	56,379
Trade and other receivables	9	49,704	28,895
Prepayments	10	1,351	408
Other financial assets	11	5,404	4,303
Income tax receivable	30	7,115	-
<b>Total Current Assets</b>		138,576	89,985
<b>Non-Current Assets</b>			
Capitalised lease	13	33,209	33,521
Investment properties	14	755,282	374,975
Infrastructure, plant and equipment	15	608,702	477,959
Goodwill	16	443,598	443,598
Other intangible assets	16	7,826	9,855
Deferred tax asset	23	20,631	9,745
<b>Total Non-Current Assets</b>		1,869,248	1,349,653
<b>Total Assets</b>		2,007,824	1,439,638
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	41,045	28,068
Provisions	18	4,609	3,997
Deferred revenue	21	1,822	1,501
Derivative financial instruments	22	-	275
Income tax payable	30	-	1,792
Interest-bearing loans & borrowings	19	-	55,304
<b>Total Current Liabilities</b>		47,476	90,937
<b>Non-Current Liabilities</b>			
Interest-bearing loans & borrowings	19	1,162,241	928,430
Provisions	20	355	499
Deferred revenue	21	27,038	27,699
Derivative financial instruments	22	63,222	27,018
Deferred tax liabilities	23	235,597	117,815
<b>Total Non-Current Liabilities</b>		1,488,453	1,101,461
<b>Total Liabilities</b>		1,535,929	1,192,398
<b>Net Assets</b>		471,895	247,240
<b>EQUITY</b>			
Contributed equity	24	161,865	153,465
Reserves		(50,229)	(18,741)
Retained earnings		360,259	112,516
<b>Total Equity</b>		471,895	247,240

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





**TERMINAL 1 FORECOURT WITH PLEASANT LANDSCAPED GARDENS AND EASY ACCESS TO PICK-UP AND DROP-OFF LANES, TAXIS, SHUTTLE BUSES AND CAR PARKS.**

*Introducing  
Paul Johnston,  
Airport Operations  
& Customer Service*

"I am very proud to be a part of the airside team that is tasked with the safe operation of our airfield and I am excited to be a part of the wider Perth Airport team during this busy period of development and growth."



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012		CONSOLIDATED	
	NOTES	2012 \$'000	2011 \$'000
Revenue from continuing operations	2(a)	344,388	300,832
Change in fair value of investment property	2(c)	377,468	(4,680)
Operating expenses	3(a)	(118,045)	(104,964)
<b>Earnings before interest, depreciation and amortisation</b>		<b>603,811</b>	<b>191,188</b>
Finance revenue	2(b)	4,257	2,947
Finance expenses	3(b)	(144,414)	(92,927)
Depreciation	3(c)	(27,677)	(18,464)
Amortisation	3(d)	(2,120)	(2,098)
<b>Profit from continuing operations before income tax</b>		<b>433,857</b>	<b>80,646</b>
Income tax expense	5	(124,111)	(24,947)
<b>Profit from continuing operations after income tax</b>		<b>309,746</b>	<b>55,699</b>
<b>Other comprehensive income</b>			
Net movement of cash flow hedges	4	(44,984)	3,057
Income tax on items of other comprehensive income	5	13,495	(917)
<b>Other comprehensive income for the year, net of tax</b>		<b>(31,489)</b>	<b>2,140</b>
<b>Total comprehensive income for the year, net of tax, attributable to the owners of the parent</b>		<b>278,257</b>	<b>57,839</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012						CONSOLIDATED
NOTES	CONTRIBUTED EQUITY \$'000	ASSET REVALUATION RESERVE \$'000	CASH FLOW HEDGE RESERVE \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000	
<b>Balance at 30 June 2010</b>	150,765	362	(21,242)	114,816	244,701	
Profit for the period	-	-	-	55,699	55,699	
Other comprehensive income	-	-	2,140	-	2,140	
<b>Total comprehensive income for the year</b>	-	-	2,140	55,699	57,839	
<b>Transactions with owners in their capacity as owners:</b>						
Ordinary shares issued	24	2,700	-	-	2,700	
Dividends paid	7	-	-	(58,000)	(58,000)	
<b>Balance at 30 June 2011</b>	153,465	362	(19,102)	112,515	247,240	
Profit for the period	-	-	-	309,746	309,746	
Other comprehensive income	24(b)	-	(31,489)	-	(31,489)	
<b>Total comprehensive income for the year</b>	-	-	(31,489)	309,746	278,257	
<b>Transactions with owners in their capacity as owners:</b>						
Ordinary shares issued	24	8,400	-	-	8,400	
Dividends paid	7	-	-	(62,002)	(62,002)	
<b>Balance at 30 June 2012</b>	161,865	362	(50,591)	360,259	471,895	

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

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012		CONSOLIDATED	
	NOTES	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		325,057	296,906
Cash paid to suppliers and employees		(103,239)	(102,537)
Interest received		4,184	2,134
Income tax paid		(12,628)	(27,393)
<b>Net cash flows from operating activities</b>	28	213,374	169,110
<b>Cash flows from investing activities</b>			
Purchase of intangibles	16(c)	(91)	(1,432)
Proceeds from sale of infrastructure, plant and equipment		13	11
Purchase of investment property, infrastructure, plant and equipment		(164,695)	(79,672)
<b>Net cash flows used in investing activities</b>		(164,773)	(81,093)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	24	8,400	2,700
Proceeds from borrowings - subordinated shareholder loan	19(ix)	75,600	24,300
Proceeds from borrowings - syndicated facility agreement 1	19	315,000	-
Proceeds from borrowings - syndicated facility agreement 2	19	300,000	-
Proceeds from borrowings - syndicated facility agreement 3	19	88,500	-
Proceeds from borrowings - other secured facility	19	-	120,000
Proceeds from borrowings - capital expenditure - 3 year facility	19	-	11,275
Proceeds from borrowings - capital expenditure - 5 year facility	19	-	6,725
Repayment of borrowings - subordinated shareholder loans	19	-	(65,000)
Repayment of borrowings - capital expenditure - 3 year facility	19	(36,645)	-
Repayment of borrowings - capital expenditure - 5 year facility	19	(21,855)	-
Repayment of borrowings - other secured facility	19	(120,000)	-
Repayment of borrowings - term syndicated facility tranche 1	19	(269,000)	-
Repayment of borrowings - term syndicated facility tranche 2	19	(156,000)	-
Repayment of TSA onerous contract	18	-	(2,557)
Dividends paid	7	(62,002)	(58,000)
Interest paid - interest rate swap reset costs	24(b)	(58,060)	-
Interest paid		(93,916)	(85,958)
<b>Net cash flows (used in) / from financing activities</b>		(29,978)	(46,515)
<b>Net (decrease)/increase in cash and cash equivalents</b>		18,623	41,502
<b>Cash and cash equivalents at beginning of financial year</b>		56,379	14,877
<b>Cash and cash equivalents at the end of financial year</b>	8	75,002	56,379

The above statement of cash flows should be read in conjunction with the accompanying notes.

30 JUNE 2012

## Note 1. Significant Accounting Policies

### (a) Reporting entity

The company name for Westralia Airports Corporation Pty Ltd was changed to Perth Airport Pty Ltd on the 4 October 2011.

Perth Airport Pty Ltd ("PAPL") is a proprietary company limited by shares which is incorporated and domiciled in Australia. The consolidated financial statements of PAPL as at and for the year ended 30 June 2012 comprise of Perth Airport Pty Ltd ("the Company") and its subsidiary Perth Airport Investments Pty Ltd (formerly known as WAC Investments Pty Ltd, with the company name changed on 4 October 2011), which form the consolidated entity ("the Group" or "consolidated entity").

### (b) Basis of preparation

#### (i) Going Concern

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.

#### (ii) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The consolidated financial report of the Group and the Financial Report of the Company comply with the International Financial Reporting Standards (IFRSs) and interpretations as adopted and issued by the International Accounting Standards Board (IASB).

The financial report for the Group was authorised for issue in accordance with a resolution of the directors on 29 August 2012.

#### (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(u).

#### (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.

PAPL is an entity of a kind referred to in ASIC Class Order 98/0100 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, liabilities, equity, 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(u).

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 new accounting standards and amendments issued but not yet adopted is detailed at note 1(w).

**(c) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities controlled by PAPL. 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 separate financial statements of the parent entity less any impairment charges. 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.

**(d) Derivative financial instruments and hedge accounting**

The Group uses derivative financial instruments, such currency swaps and interest rate swap, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
  - Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
  - Hedges of a net investment in a foreign operation
- At the inception of a hedge relationship, the Group

Note 1. Significant Accounting Policies (continued)

formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss, 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 profit and loss within other comprehensive income, with the gain or loss relating to the ineffective portion recognised in the profit and loss.

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 profit and loss over the period to maturity.

(ii) Cash flow hedge

The Group uses interest rate swaps as hedges of its

exposure to variable rate interest risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within the statement of other comprehensive income.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

(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 classified and designated upon initial recognition as financial liabilities measured at fair value through profit and loss, with subsequent changes in fair value being recognised immediately in the profit and loss and included within finance expenses.





INTERNATIONAL BAGGAGE RECLAIM AND BIOSECURITY (QUARANTINE)- TWICE THE SIZE.

*Introducing  
Phil Ryan,  
Aeronautical  
Leasing Manager*

My role interacts with all parts of the business and a range of airport users so no two days are the same. It's an exciting time being part of the Perth Airport team, I get to see how the work I am involved in will positively affect so many companies and the community.



Note 1. Significant Accounting Policies (continued)

(iv) Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- When the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

**(e) Financial instruments - initial recognition and subsequent measurement**

**(i) Financial assets**

**(i.i) Initial recognition and measurement**

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial

recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, and derivative financial instruments.

**(i.ii) Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as described below:

**(i.iii) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated

Note 1. Significant Accounting Policies (continued)

at their initial recognition date and only if the criteria under AASB 139 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

**(i.iv) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position 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. The Debt Service Reserve Amount, and bank overdrafts that are repayable on demand, 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.

**(i.v) Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 debts.

**(i.vi) Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **(i.vii) Impairment of financial assets**

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash

flows, such as changes in arrears or economic conditions that correlate with defaults.

For trade and other receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the variable rate of interest.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Trade receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

Note 1. Significant Accounting Policies (continued)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

**(ii) Financial liabilities**

**(ii.i) Initial recognition and measurement**

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

**(ii.ii) Subsequent measurement**

The measurement of financial liabilities depends on their classification, described as follows:

**(ii.iii) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the

near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

**(ii.iv) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and arise when the Group 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.

**(ii.v) Interest-bearing loans and borrowings**

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 profit and loss over the period of the borrowings on a straight line basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the origination of the interest-bearing loan and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

Interest borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs are those costs that would have been avoided if the expenditure on the qualifying asset had not been made. Borrowing costs consist of interest and other costs that the Company incurs in connection with the drawdown of funds from the syndicated facilities.

### **(ii.vi) Other**

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

### **(ii.vii) Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. 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.

### **(ii.viii) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

### **(ii.ix) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

Note 1. Significant Accounting Policies (continued)

**(f) 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 profit and loss. Investment properties are not depreciated for accounting purposes.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Premium leasing transactions are the disposal of investment land by the Company entering into a finance lease as lessee. Any gains or losses on the retirement or disposal of an investment property is recognised in the profit or loss in the year of retirement or disposal.

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

For a transfer from investment property to owner-occupied property or inventories, its fair value at the date of change in use becomes its cost for subsequent accounting as infrastructure, plant or equipment

If the property occupied by the Group as an owner-occupied property becomes an investment property, the Company will treat any difference at

the date of transfer between the carrying amount and its fair value as a revaluation. Any revaluation increase is recognised in other comprehensive income by increasing the asset revaluation reserve within equity. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss. When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as infrastructure, plant and equipment during the redevelopment.

When the Group determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed, whichever is earlier.

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(q).



**(i) Fair Value**

Fair values are evaluated annually by an accredited external, independent valuer. Any gain or loss arising from a change in fair value is recognised in the profit and loss. Rental income from investment property is accounted for as described in note 1(m).

**(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 independent of the other assets held by the Group.

**(g) Infrastructure, Plant and Equipment**

**(i) Recognition and measurement**

Items of infrastructure, plant and equipment are measured at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the infrastructure, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of infrastructure, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs, including the cost of day-to-day servicing of infrastructure, plant and equipment, are recognised in the income statement as incurred. The present value of the expected cost

for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 Group 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 Group and the cost of the item can be measured reliably.

The professional fees paid for servicing a defects liability period are implicit in the nature of the agreement signed between PAPL and the relevant parties to deliver the tangible assets resulting from a project. The defects liability period is a directly attributable cost in bringing the asset into existence and to the condition of which is required for the assets intended use.

**(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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (continued)

reviewed annually, and adjusted if appropriate, at each balance date. No depreciation is charged until the asset has been completed and ready for its intended use. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Land is not depreciated.

Depreciation and amortisation rates used are as follows:

	2012	2011
Plant and Equipment	5.00 - 33.00%	5.00 - 33.00%
Buildings	1.01 - 15.00%	1.01 - 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 each reporting date and adjusted prospectively, if appropriate.

#### (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 under construction by the Group 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 asset revaluation reserve to the extent that an amount is included in the asset revaluation reserve for that property, with any remaining loss recognised immediately in the profit and loss. Any gain arising on remeasurement is recognised in the profit and loss to the extent the gain reverses a previous impairment loss on that property, with any remaining gain recognised directly in the asset revaluation reserve in equity.

#### (viii) Reclassification from investment property

When the use of an investment property changes such that it is reclassified as infrastructure, plant or equipment, its fair value at the date of change in use becomes its cost for subsequent accounting as infrastructure, plant or equipment.

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 financial accounts.

#### (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 profit and loss in the year the asset is derecognised.

**(h) 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.

**(i) 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 Group 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 profit and loss.

**(j) Intangibles**

Intangible assets that are acquired separately by the Group are measured at cost less accumulated impairment losses.

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. Internally generated intangible assets, excluding capitalised development costs, are

not capitalised with all expenditure, including expenditure on internally generated goodwill and brands, being recognised in the profit and loss when incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, at the cash-generating unit level as outlined in note 16. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Note 1. Significant Accounting Policies (continued)

**(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 Group'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, to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit 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 Master Plan 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 profit and loss.

**(iii) Research and Development Costs**

Research costs are expensed as incurred.

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset. The ability to measure reliably the expenditure during development
- Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

**(k) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than investment property, and deferred tax assets, are reviewed at each reporting

date to determine whether there is any indication of impairment.

An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the

asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

#### **Goodwill**

Goodwill is tested for impairment annually (as at 30 June) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU to which the goodwill relates. 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. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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.

Note 1. Significant Accounting Policies (continued)

**Intangible assets**

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

**(l) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement. 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.

**(m) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and rebates, but excluding taxes or duty. Revenue is recognised in the profit and loss 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. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Revenue is recognised on an accruals basis by the Group as follows:

- (i) Aeronautical revenue comprises landing fees for airfield usage based on the maximum take-off weight of aircraft or passenger numbers on aircraft, terminal charges, aircraft parking and storage charges, and government mandated security charges for the recovery of costs incurred as a result of government mandated security requirements.
- (ii) Trading revenue comprises concessionaire rent and other fees received from retail operations.
- (iii) Ground transport services comprises revenue from the operation of public and leased car parks,

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

car rental concessions, ground transport services and traffic management. Revenue from the operation of public car parks is recognised on an accrual basis.

(iv) Property revenue comprises rental income from owned terminals and buildings, and long-term leases of land and other leased assets. Rental income from operating leases of investment property is recognised in the profit and loss on a straight-line basis over the term of the lease. Rental income not received at reporting date, is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance. Contingent rents are recognised as revenue in the period in which they are earned.

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 escalation clauses are recognised on a straight-line basis over the life of the lease.

Lease incentives granted 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.

Premium leasing transactions are where PAPL as sub-lessor, disposes of investment land by entering into a finance lease. The substance and financial reality of a premium lease transaction is that the buyer (sub-lessee), even though not acquiring legal title to the land, will acquire the economic benefits

of the use of the leased land for the major part of its economic life, and in return will pay a fair value amount at the inception of the lease to PAPL as compensation for the right to lease the asset.

Premium lease revenue is recognised upon unconditional execution of a premium lease as this is when the significant risks and rewards have been transferred to the sub-lessee.

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

(vi) Interest revenue comprises earnings on funds deposited with financial institutions and is recognised as it accrues, using the effective interest method.

### **(n) 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 profit and loss 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.

### **(o) 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 comprises 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

Note 1. Significant Accounting Policies (continued)

hedge accounting, and impairment losses recognised on financial assets. All borrowing costs, except as outlined in note 1(d)(ii) are recognised in profit and loss using the effective interest method.

**(p) Employee Benefits**

**(i) Defined contribution superannuation funds**

The Group 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 of superannuation fund, then those contributions are sent monthly to the resident complying superannuation scheme operated by Australian Super Pty Ltd. Contributions to these defined contributions plans are charged against profits as incurred.

Obligations for contributions to defined contribution plans are recognised as an operating expense in the profit and loss 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 of 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 Group'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.

**(q) Lease Payments**

**(i) Capitalised Lease - Operational Land**

The Company leases airport land from the Commonwealth of Australia, a portion of which is classified as a capitalised lease. The balance of the leased land is classified as Investment Property (refer to note 1(e)).

Under AASB 117 "Leases", upfront payments for operational land under lease are recognised as a capitalised lease in the statement of financial position, with the gross value amortised over the period of the lease (including the optional renewal term) on a straight line basis.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (ii) Operating leases

Payments made under operating leases are recognised in profit and loss 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.

### (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.

### (r) Income taxes

#### (i) PAPL

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the profit and loss 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.

Note 1. Significant Accounting Policies (continued)

**(ii) Tax Consolidation**

Airstralia Development Group Pty Ltd changed its company name to Perth Airport Development Group Pty Ltd ("PADG") on 4 October 2011. PADG is the head entity of the tax-consolidated group which comprises of PADG and its 100% owned Australian resident subsidiaries consisting of PAPL and Perth Airport 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 PAPL's statement of financial position 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 PADG as an equity contribution to, (or distribution from) the subsidiary.

PADG recognises deferred tax assets arising from unused tax losses and unused tax credits 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 and unused tax credits 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 for the current tax liability 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 (exclusive) 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 current liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a net 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.

Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the ATO.

**(s) 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.

**(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.

**(t) 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. Ordinary shares that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

**(u) 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

Note 1. Significant Accounting Policies (continued)

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**

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged independent valuation specialists to determine fair value as at 30 June 2012. For the investment buildings, the valuer used a valuation technique based on capitalised rental income as there is a lack of comparable market data because of the nature of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 14.

**(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) Fair value of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets,

their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**(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).

**(v) Rights and Obligations in Accordance with the Airport Lease**

In 1997 Perth Airport Pty Ltd ("PAPL"), formerly known as Westralia Airports Corporation Pty Ltd, 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 Treasurer's 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 PAPL'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.

(iv) PAPL 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 is valid for the duration of the first term of the current lease.

(vi) The termination provisions of the Lease will not apply if a Force Majeure event has occurred and PAPL 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. mobile plant, 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:

Note 1. Significant Accounting Policies (continued)

- 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.

**(iii) Treasurer's 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 PAPL.

(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).

**(w) New accounting standards and interpretations**

**(i) Changes in accounting policy and disclosures**

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011 as outlined in the beneath table. The adoption of the new and amended Australian Accounting Standards and AASB Interpretations did not have any impact on the financial position or performance of the Group. All other accounting policies adopted are consistent with those of the previous financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REFERENCE	TITLE	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 124 (Revised)	<p>The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</p> <p>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</p> <p>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	1 July 2011
AASB 2009-12	<p>Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 &amp; 1031 and Interpretations 2, 4, 16, 1039 &amp; 1052]</p> <p>Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p>	1 January 2011	1 July 2011
AASB 2010-4	<p>Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]</p> <p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	1 July 2011
AASB 2010-5	<p>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 &amp; 1038 and Interpretations 112, 115, 127, 132 &amp; 1042]</p> <p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2011	1 July 2011

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REFERENCE	TITLE	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 1054	<p>Australian Additional Disclosures</p> <p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <ul style="list-style-type: none"> <li>(a) Compliance with Australian Accounting Standards</li> <li>(b) The statutory basis or reporting framework for financial statements</li> <li>(c) Whether the entity is a for-profit or not-for-profit entity</li> <li>(d) Whether the financial statements are general purpose or special purpose</li> <li>(e) Audit fees</li> <li>(f) Imputation credits</li> </ul>	1 July 2011	1 July 2011
AASB 2010-6	<p>Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 &amp; AASB 7]</p> <p>The amendments increase the disclosure requirements for transactions involving transfers of financial assets but which are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.</p>	1 July 2011	1 July 2011

\* Designates the beginning of the applicable annual reporting period unless otherwise stated.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (w) New accounting standards and interpretations

#### (i) Changes in accounting policy and disclosures (continued)

##### Improvements to AASBs

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- AASB 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- The amendments to AASB 3 are effective for annual periods beginning on or after 1 July 2011. The Group, however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of AASB 3.
- AASB 7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 8 and Note 11.
- AASB 101 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in Note 4.

Other amendments resulting from Improvements to AASBs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of AASB 3 (as revised in 2008))
- AASB 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- AASB 127 Consolidated and Separate Financial Statements
- AASB 134 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB Int 13 Customer Loyalty Programmes (determining the fair value of award credits)
- AASB Int 19 Extinguishing Financial Liabilities with Equity Instruments

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (continued)

#### (w) New accounting standards and interpretations (continued)

#### (ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2012, outlined in the table below:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
2010-8	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 Jan 2012	No impact on the Group as this is consistent with existing deferred tax recognition	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	Will have a disclosure impact in the Statement of Comprehensive income	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities.  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.  Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	No impact on the Group	1 July 2013

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.</p>	1 January 2013	No impact on the Group	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	No impact on the Group	1 July 2013
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	Will impact the qualitative disclosures of investment property	1 July 2013

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	No impact likely on the Group	1 July 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	<p>This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the 'stripping activity asset'.</p> <p>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.</p> <p>Consequential amendments were also made to other standards via AASB 2011-12.</p>	1 January 2013	Not applicable to the Group	1 July 2013
Annual Improvements 2009-2011 Cycle ****	Annual Improvements to IFRSs 2009-2011 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IFRS 1 First-time Adoption of International Financial Reporting Standards</p> <ul style="list-style-type: none"> <li>• Repeated application of IFRS 1</li> <li>• Borrowing costs</li> </ul> <p>IAS 1 Presentation of Financial Statements</p> <ul style="list-style-type: none"> <li>• Clarification of the requirements for comparative information</li> </ul> <p>IAS 16 Property, Plant and Equipment</p> <ul style="list-style-type: none"> <li>• Classification of servicing equipment</li> </ul> <p>IAS 32 Financial Instruments: Presentation</p> <ul style="list-style-type: none"> <li>• Tax effect of distribution to holders of equity instruments</li> </ul> <p>IAS 34 Interim Financial Reporting</p> <ul style="list-style-type: none"> <li>• Interim financial reporting and segment information for total assets and liabilities</li> </ul>	1 January 2013	No impact likely on the Group	1 July 2013

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	Not applicable to the Group	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards                      (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)                      (b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability                      (b) All not-for-profit private sector entities                      (c) Public sector entities other than the Australian Government and State, Territory and Local Governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.</p>	1 July 2013	No impact on the Group as the Group will continue to explicitly comply with IFRS consistent with Tier 1	1 July 2013

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>• The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2015***	To be monitored, however no likely impact on the Group based on existing financial instruments	1 July 2015

\* Designates the beginning of the applicable annual reporting period unless otherwise stated.

\*\*\* AASB ED 215 Mandatory effective date of IFRS 9 proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

\*\*\*\* These IFRS amendments have not yet been adopted by the AASB. In order to claim compliance with IFRS, these amendments should be noted in the financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. Revenues

	NOTES	2012 \$'000	2011 \$'000
<b>(a) Revenue from continuing operations</b>			
Aeronautical charges		119,955	102,463
Trading revenue		47,000	42,664
Ground transport services		65,856	55,645
Investment property rentals		59,419	54,961
Net gain on premium leasing		16,440	11,382
Recharge property services		34,040	32,385
Other revenue		1,665	1,331
Net gain on disposal of property, plant and equipment		13	1
		344,388	300,832
<b>(b) Finance revenue</b>			
Interest		4,184	2,945
Cash flow hedge ineffectiveness	22	73	2
		4,257	2,947
<b>(c) Other (loss)/income</b>			
Fair value gain / (loss) adjustment to investment land		257,081	188
Fair value gain / (loss) adjustment to investment buildings		120,387	(4,868)
Fair value gain / (loss) adjustment to investment property	14	377,468	(4,680)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 3. Expenses

	NOTES	2012 \$'000	2011 \$'000
<b>(a) Operating expenses</b>			
Employee expenses		28,147	25,294
Defined contribution superannuation expense		2,439	2,181
Services and utilities		64,741	58,050
Other office overheads		15,978	13,453
Bad and doubtful debts expense	9	95	342
Maintenance expenses		6,250	5,249
Capitalised lease - operational land	13	395	395
		118,045	104,964
<b>(b) Finance Expenses</b>			
Interest expense			
- Senior debt		83,848	80,226
- Subordinated shareholder loan		10,673	11,751
- Other		811	950
- Interest rate swap break and reset costs	24(b)	40,550	-
- Interest rate swap amortisation	24(b)	2,335	-
- Interest rate swap unrealised loss		2,726	-
- Cross currency swap unrealised loss		3,471	-
<b>Total Finance expenses</b>		144,414	92,927
<b>(c) Depreciation</b>			
Plant and equipment		1,943	1,980
Leased: Buildings		5,138	4,387
Fixed plant and equipment		6,563	4,562
Runways, taxiways and aprons		5,448	2,354
Other infrastructure		8,585	5,092
<b>Total Depreciation</b>	15	27,677	18,375
<b>(d) Amortisation of Intangibles</b>			
Capitalised master plan costs		563	402
Software		597	736
Other intangible assets		960	960
<b>Total Amortisation of intangibles</b>	16	2,120	2,098



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 4. Components of other comprehensive income

	2012 \$'000	2011 \$'000
<b>Cash flow hedges:</b>		
Net gains / (losses) arising during the year	(47,319)	3,057
Amortisation of interest rate swaps retained in reserve	2,335	-
<b>Net movement of cash flow hedges</b>	(44,984)	3,057

### Note 5. Income Tax Expense

	NOTES	2012 \$'000	2011 \$'000
The major components of income tax expense are:			
Profit and loss			
Current income tax charge		7,592	22,746
Adjustments in respect of current income tax of previous years		(3,871)	1,758
Deferred income tax*	23	120,390	443
<b>Income tax expense reported in profit and loss</b>		124,111	24,947

\* 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	433,857	80,646
At the statutory income tax rate of 30% (2011: 30%)	130,157	24,194
Adjustments in respect of current income tax of previous years	(3,871)	1,758
Non-deductible / (non-assessable) items	(2,175)	(1,005)
<b>Income tax expense reported in profit and loss</b>	124,111	24,947

#### Statement of changes in equity

Current income tax related to items charged or credited directly to equity in respect of net gain on revaluation of cash flow hedges	13,495	(917)
<b>Income tax benefit / (expense) reported in equity</b>	23	13,495

Refer to Note 1(r)(ii) for information on the tax consolidated group and tax funding arrangements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 6. Auditors' Remuneration

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

	2012 \$	2011 \$
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	134,465	125,486
• Other assurance services - precinct outgoing audits	90,350	-
• Other services in relation to the entity and any other entity in the Company		
- Tax compliance services	67,200	54,630
- Other taxation consulting services	90,440	-
	382,455	180,116
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
• Taxation services provided by Ernst & Young Law	133,022	-
	515,477	180,116

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 7. Dividends paid and proposed

Dividends declared and paid during the year ending 30 June 2012:

	CENTS PER SHARE	TOTAL AMOUNT \$'000	FRANKED / UNFRANKED	DATE OF PAYMENT
Interim ordinary dividend	0.20	30,000	Franked	16 December 2011
Final ordinary dividend	0.22	32,002	Franked	29 June 2012
		<u>62,002</u>		

Dividends declared and paid during the year 2011:

	DOLLARS PER SHARE	TOTAL AMOUNT \$'000	FRANKED / UNFRANKED	DATE OF PAYMENT
Interim ordinary dividend	0.19	29,000	Franked	22 December 2010
Final ordinary dividend	0.19	29,000	Franked	30 June 2011
		<u>58,000</u>		

Franked dividends paid during the year ending 30 June 2012, and the year ending 30 June 2011, were franked at the tax rate of 30%. There have been no dividends proposed or declared after the balance sheet date.

Franking credit balance	2012 \$'000	2011 \$'000

The amount of franking credits available for the subsequent financial year are:

Franking account credit balance at the end of the financial year at 30%	1,167	14,723
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	1,792
Franking debits that will arise from the refund of income tax payable as at the end of the financial year	(7,115)	-
The amount of franking credits / (debits) available for future reporting periods	<u>(5,948)</u>	<u>16,515</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 8. Cash and Cash Equivalents

	2012 \$'000	2011 \$'000
Cash at bank and on hand	75,002	56,379

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash flow requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash at bank and on hand includes an amount of \$18,376,272 (2011: \$3,940,121) attributable to the Debt Service Reserve Account ("DSRA"). The DSRA is a lending covenant per the Syndicated Facility Agreement that requires a minimum level of free cash to be maintained equivalent to three months of senior debt interest (refer to note 19(c) (iii)). The DSRA earns interest at short-term deposit interest rates, and is not available for use by the Group.

Cash at bank and on hand also includes an amount of \$172,407 (2011: \$260,231) relating to security deposits received as sub-lessor from commercial property sub-leases. The Group is not required to repay interest in the event that these security deposits are returned to the sub-lessee.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 9. Trade and Other Receivables

	NOTES	2012 \$'000	2011 \$'000
Trade receivables	25(b)(ii)	44,615	20,909
Allowance for impairment loss	(a)	-	(116)
		44,615	20,793
Accrued revenue		4,758	7,852
Other receivables	(b)	331	250
		49,704	28,895

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

The maximum exposure to credit risk is the fair value of receivables. Collateral is held against trade receivables via security deposits and retentions (as disclosed in Note 8, 11 and 17) and bank guarantees. It is not 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 is disclosed in note 24.

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment losses is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the allowance for impairment losses were as follows:

	NOTES	2012 \$'000	2011 \$'000
At 1 July		(116)	(328)
Unused amounts reversed in income statement	3	116	30
Provision for impairment recognised during the year	3	(211)	(372)
Receivables written off during the year as uncollectible		211	554
At 30 June		-	(116)

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
2012	44,615	41,727	-	2,517	-	63	-	308	-
2011	20,909	5,610	13	13,245	-	1,452	11	486	92

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 9. Trade and Other Receivables (continued)

Trade receivables past due but not impaired are \$2.888m (2011: \$15.183m). Payment terms on these amounts have not been renegotiated however there is no recent history of default. The Group 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 primarily comprise interest income accrued from cash and cash equivalents which has not yet been received at balance date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 10. Prepayments

	2012 \$'000	2011 \$'000
Refinancing establishment cost	410	-
Other prepayments	941	408
	1,351	408

Refinancing establishment costs relates to upfront incremental borrowing costs arising from execution of the United States Private Placement which settled post balance sheet date on 26 July 2012. Refer to note 19(d).

### Note 11. Other Financial Assets

	2012 \$'000	2011 \$'000
Security deposits	431	344
Operating lease receivable	4,973	3,959
	5,404	4,303

Security deposits are collateral received as sub-lessor from commercial property sub-leases. Security deposits are held in separate bank accounts on behalf of the sub-lessee and all interest and bank charges are accrued to the sub-lessee.

### Note 12. Investment in Subsidiary

The Company holds 100% of the ordinary shares in Perth Airport 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 (2011: nil). On 16 July 2012, an application was made to ASIC to deregister Perth Airport Investments Pty Ltd.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Capitalised Lease - Operational Land	NOTES	2012 \$'000	2011 \$'000
Carrying amount at 1 July		33,521	30,593
Transfer from investment land	14	83	3,323
Portion expensed during the year	3(a)	(395)	(395)
<b>Carrying amount at 30 June</b>		<b>33,209</b>	<b>33,521</b>

Transfer from investment land represents a change in use from englobo investment land to operational car parks. The deemed cost of the operational car park land is the fair value at the date of change in use.

Operational land under lease is classified as an operating lease, with the upfront payment 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

### Note 14. Investment Properties - at Valuation

	NOTES	2012 \$'000	2011 \$'000
<b>Investment Land - at valuation</b>			
Carrying amount at 1 July		159,567	163,883
Premium lease disposals	(b)	(2,403)	(1,181)
Transfer to operational land	13, (c)	(83)	(3,323)
Reclassification adjustment to investment building	(d)	(13,723)	-
Revaluation increments	2(c)	257,081	188
Carrying amount at 30 June		400,439	159,567
<b>Investment Buildings - at valuation</b>			
Carrying amount at 1 July		214,573	217,928
Investment buildings constructed - residual prior year costs		3,647	1,513
Revaluation increments / (decrements)	2(c)	120,387	(4,868)
Reclassification adjustment from investment land	(d)	13,723	-
Carrying amount at 30 June		352,330	214,573
<b>Investment Buildings under construction - at cost</b>			
New investment buildings under construction - at cost		2,096	773
Borrowing costs capitalised - new investment buildings under construction	(a)	417	62
Carrying amount at 30 June		2,513	835
<b>Total investment properties at fair value</b>		755,282	374,975

The Company engaged Colliers (licensed valuers) to provide an independent valuation of its englobo investment land and leased building investments.

Colliers does not value investment buildings under construction as the fair value is not deemed reliably determinable. Instead investment buildings under construction are measured at cost until either its fair value becomes reliably determinable or construction is completed, whichever is earlier.

Fair value adjustments arising from the independent valuation are recognised through the profit and loss. Colliers has considered market conditions and changes in their assessment of investment property values.

(a) During the year borrowing costs were capitalised on the construction of investment buildings. Borrowing costs were capitalised at a weighted average interest rate of 7.11% (2011: 8.01%).

(b) During the year ending 30 June 2012, the Company entered into three (2011: four) separate Board approved premium leasing transactions which resulted in the disposal of investment land with a carrying value of \$2,402,900 (2011: \$1,180,876).

(c) Also during the year ending 30 June 2012, investment land with carrying value of \$83,148 (2011: \$3,323,440) was transferred to operational land. This transfer primarily reflects the construction of new operational car parks.

(d) The reclassification adjustment for the year ending 30 June 2012 relates to a component of investment land that previously under the ODRC valuation methodology was valued separately from investment buildings when valuing investment buildings. Under the capitalised rental valuation of investment buildings for the year ending 30 June 2012, the valuation of this investment land is included within the investment building valuation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 14. Investment Properties - at valuation (continued)

#### Reconciliation of investment property by classes

The net fair value of the different classes of investment properties is:

	2012 \$'000	2011 \$'000
Investment land - site leases and licenses	29,339	29,339
Englobo investment land	371,100	116,505
Building leases	352,330	228,296
Investment buildings under construction - at cost	2,513	835
	755,282	374,975

#### Leasing arrangements

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. 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:

	2012 \$'000	2011 \$'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	53,372	50,694
Later than one year but not later than 5 years	139,689	169,017
Later than 5 years	166,223	130,946
	359,284	350,657

### Note 15. Infrastructure, Plant and Equipment

In the 2003/04 financial year, PAPL 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. PAPL 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).

During the year borrowing costs were capitalised on the construction of qualifying assets. Included within assets under construction is borrowing costs of \$3,226,839 (2011: \$3,473,250) which were capitalised at a weighted average interest rate of 7.11% (2011: 8.01%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 15. Infrastructure, Plant and Equipment (continued)

	Infrastructure Assets Under Lease					TOTAL INFRA- STRUCTURE ASSETS UNDER LEASE \$'000	ASSETS UNDER CONSTRUCTION \$'000	TOTAL \$'000
	PLANT AND EQUIPMENT \$'000	BUILDINGS \$'000	FIXED PLANT AND EQUIPMENT \$'000	RUNWAYS, TAXIWAYS AND APRONS \$'000	OTHER INFRASTRUC- TURE \$'000			
Gross Carrying Value at cost - 1 July 2011	18,429	107,015	57,708	108,952	158,271	431,946	118,277	568,652
Additions	-	-	-	-	-	-	166,617	166,617
Transfers - capitalised work in progress	4,000	6,864	24,202	21,332	46,432	98,830	(102,830)	-
Transfers - investment properties	-	-	-	-	-	-	(7,402)	(7,402)
Disposals	(703)	(24)	(525)	(272)	(183)	(1,004)	(683)	(2,390)
Gross Carrying Value - 30 June 2012	21,726	113,855	81,385	130,012	204,520	529,772	173,979	725,477
Accumulated Depreciation - 1 July 2011	(9,939)	(26,814)	(20,015)	(14,849)	(19,076)	(80,754)	-	(90,693)
Depreciation charge for the year	(1,943)	(5,138)	(6,563)	(5,448)	(8,585)	(25,734)	-	(27,677)
Transfers - investment properties	-	-	-	-	-	-	-	-
Disposals	685	19	436	272	183	910	-	1,595
Accumulated Depreciation - 30 June 2012	(11,197)	(31,933)	(26,142)	(20,025)	(27,478)	(105,578)	-	(116,775)
Carrying Value 1 July 2011	8,490	80,201	37,693	94,103	139,195	351,192	118,277	477,959
Carrying Value 30 June 2012	10,529	81,922	55,243	109,987	177,042	424,194	173,979	608,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Infrastructure, Plant and Equipment (continued)

	Infrastructure Assets Under Lease							TOTAL \$'000
	PLANT AND EQUIPMENT \$'000	BUILDINGS \$'000	FIXED PLANT AND EQUIPMENT \$'000	RUNWAYS, TAXIWAYS AND APRONS \$'000	OTHER INFRA- STRUCTURE \$'000	TOTAL INFRA- STRUCTURE ASSETS UNDER LEASE \$'000	ASSETS UNDER CONSTRUCTION \$'000	
Gross Carrying Value at cost - 1 July 2010	17,660	105,346	54,059	109,237	134,120	402,762	70,638	491,060
Additions	-	-	-	-	-	-	81,017	81,017
Transfers - capitalised work in progress	1,716	1,669	3,649	(285)	24,288	29,321	(31,037)	-
Transfers - investment properties	-	-	-	-	-	-	(2,286)	(2,286)
Disposals	(947)	-	-	-	(137)	(137)	(55)	(1,139)
Gross Carrying Value - 30 June 2011	18,429	107,015	57,708	108,952	158,271	431,946	118,277	568,652
Accumulated Depreciation - 1 July 2010	8,665	22,427	15,453	12,495	13,984	64,359	-	73,024
Depreciation charge for the year	1,980	4,387	4,562	2,354	5,092	16,395	-	18,375
Transfers - investment properties	-	-	-	-	-	-	-	-
Disposals	(706)	-	-	-	-	-	-	(706)
Accumulated Depreciation - 30 June 2011	9,939	26,814	20,015	14,849	19,076	80,754	-	90,693
Carrying Value 1 July 2010	8,995	82,919	38,606	97,742	120,136	338,403	70,638	418,036
Carrying Value 30 June 2011	8,490	80,201	37,693	94,103	139,195	351,192	118,277	477,959

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 16. Goodwill and Other Intangible Assets

	NOTES	2012 \$'000	2011 \$'000
<b>Goodwill</b>	(a)	443,598	443,598
<b>Capitalised master plan costs</b>			
Opening balance		2,428	1,851
Intangibles capitalised		-	577
Gross carrying value at 30 June		2,428	2,428
Accumulated amortisation at 1 July		809	407
Amortisation expense	3(d)	563	402
Accumulated amortisation at 30 June		1,372	809
Net carrying value at 30 June		1,056	1,619
<b>Other Intangible Assets</b>			
Opening balance	(d)	22,621	21,944
Domain name acquired	(b)	-	106
Software	(c)	91	750
Software licenses derecognised	(c)	(1,055)	(179)
Gross carrying value at 30 June		21,657	22,621
Accumulated amortisation at 1 July		14,385	12,868
Amortisation	3(d)	1,557	1,696
Amortisation derecognised		(1,055)	(179)
Accumulated amortisation at 30 June		14,887	14,385
Net carrying value at 30 June		6,770	8,236
<b>Total Other Intangible Assets</b>		<b>7,826</b>	<b>9,855</b>

#### (a) Impairment testing for goodwill and intangible assets with indefinite useful lives

The Company operates in one operating 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 is extremely arbitrary. Accordingly, the Company as a whole is the cash generating unit used to evaluate the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Fair value is calculated using a long term financial model ("the model") which forecasts the future cash flows to shareholders. The model is a value in use methodology that is derived using a discounted cash flow approach.

Key assumptions in the model are reviewed at least annually with senior management as part of the budget process and are summarised as follows:

Note 16. Goodwill and Other Intangible Assets (continued)

- Passenger numbers are forecast by Management primarily sourced from 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 Airport Redevelopment Programme considering traffic forecasts provided by TFI and the Company’s Asset Replacement Programme. The Airport 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 also on current trading conditions for revenue streams that are largely dependent on passenger numbers including 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, adjusted in the near term years to take into account known design and construction projects.
- 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, and increases in staff numbers as the operation expands.
- The pre-tax, risk adjusted discount rate is reviewed annually in conjunction with PAPL shareholders. The pre-tax, risk adjusted discount rate range that was applied to cash flow projections was 12.7% to 13.4% (2011: 12.7% to 13.4%). Management has carried out calculations to test for impairment of goodwill and other intangible assets with indefinite useful lives, and is of the opinion that no impairment of goodwill and other intangible assets with indefinite useful lives has existed since their respective acquisition dates. Management also believe it is appropriate to continue to carry goodwill at the same value it was initially booked on acquisition date. Management are also of the opinion that there is sufficient buffer in the valuation of the goodwill and that it would be unlikely to be impaired even in a worst case scenario e.g. in a “low” traffic scenario.

**(b) Domain name acquired**

Domain name acquired represents costs incurred by the Company in acquiring a domain name. This intangible asset is carried at cost less accumulated impairment losses. This intangible asset has been assessed as having an indefinite life. The domain name acquired is subject to impairment testing on an annual basis as outlined in (a) above, or whenever there is an indication of impairment. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (c) Software

Software licenses are carried at cost less accumulated amortisation and accumulated impairment losses.

This intangible asset has been assessed as having a finite life and is amortised using the straight line method over their respective useful life. The amortisation has been recognised in the statement of comprehensive income in the line "operating expenses". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Financial model development costs are development costs incurred in the construction of a new financial model. This intangible asset has been carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of five years. The amortisation has been recognised in the statement of comprehensive income in the line "operating expenses". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

### (d) Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets are amortised over the period of the lease or the life of the master plan where applicable.

The amortisation has been recognised in the statement of comprehensive income in the line "operating expenses". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. Management are of the opinion that 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

Note 17. Trade and Other Payables	NOTES	2012 \$'000	2011 \$'000
Trade payables - unsecured		21,116	5,995
Capital expenditure - 3 years interest payable		-	405
Capital expenditure - 5 years interest payable		-	257
Term syndicated facility net interest payable		-	5,236
Other secured facility interest payable		-	1,231
Bond issue 7 years net interest payable		526	847
Bond issue 10 years net interest payable		1,479	2,005
Syndicated facility - Tranche 1 interest payable		2,451	-
Syndicated facility - Tranche 2 interest payable		2,527	-
Syndicated facility - Tranche 3 interest payable		764	-
Interest rate swaps net interest payable		901	-
Accrued borrowing expenses		589	926
Other creditors - unsecured		9,579	9,994
Security deposits	8, 11	603	604
Retentions withheld		159	159
Net GST payable		351	409
		41,045	28,068

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 18. Current Provisions

	NOTES	2012 \$'000	2011 \$'000
<b>Onerous Contract</b>			
Balance at 1 July		-	965
Discount adjustment		-	139
Payments		-	(2,557)
Transfer from non-current portion	20	-	1,453
Balance at 30 June	(a)	-	-
<b>Annual Leave</b>			
Balance at 1 July		2,246	2,001
Additional provisions raised during the year		1,631	1,275
Amounts utilised		(1,091)	(1,030)
Balance at 30 June		2,786	2,246
<b>Long Service Leave</b>			
Balance at 1 July		1,751	1,681
Additional provisions raised during the year		267	743
Amounts utilised		(339)	(543)
Transfer from / (to) non-current portion	20	144	(130)
Balance at 30 June		1,823	1,751
<b>Total</b>		<b>4,609</b>	<b>3,997</b>

(a) The technical services agreement with the Port of Portland Holdings was terminated on 27 April 2011. Refer to note 29.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Interest-bearing loans & borrowings	NOTES	2012 \$'000	2011 \$'000
<b>Current borrowings</b>			
Subordinated shareholder loans	(ix)	-	55,304
<b>Total current interest-bearing loans &amp; borrowings</b>		-	55,304
<b>Non-current borrowings</b>			
<i>Senior Secured Debt</i>			
Working capital and liquidity facility	(i)	-	(685)
Capital expenditure - 3 year facility	(ii)	-	34,279
Capital expenditure - 5 year facility	(iii)	-	19,653
Term syndicated facility - Tranche 1	(iv)	-	265,168
Term syndicated facility - Tranche 2	(v)	-	152,533
Other secured facility	(vi)	-	119,359
Bond Issue - 7 Years	(vii)	99,775	99,609
Bond Issue - 10 Years	(viii)	238,792	238,514
Syndicated facility - Tranche 1	(x)	311,496	-
Syndicated facility - Tranche 2	(xi)	296,440	-
Syndicated facility - Tranche 3	(xii)	84,877	-
Working capital facility	(xiii)	(145)	-
	(xiv)	1,031,235	928,430
<i>Subordinated Unsecured Debt</i>			
Subordinated shareholder loans	(ix)	131,006	-
		131,006	-
<b>Total non-current interest-bearing loans &amp; borrowings</b>		1,162,241	928,430
<b>Total interest-bearing loans &amp; borrowings</b>		1,162,241	983,734

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

- (i) The working capital and liquidity facility is an interest only facility with the principal payable on the maturity date of 2 October 2012. The working capital and liquidity facility of \$50m comprises of an issued letter of credit of \$35m and a cash facility of \$15m. The interest rate on the underlying facility is BBSY plus a margin of 3.0%. The margin is dependent on the long term credit rating of PAPL. The balance at 30 June 2011 represents unamortised directly incremental transaction costs that are amortised on a straight line basis over the contractual life of the facility. On 9 November 2011, PAPL cancelled the working capital and liquidity facility. All directly incremental transaction costs arising from the cancellation were expensed as incurred.
- (ii) The capital expenditure 3 year facility represents drawings on the 3 year capital expenditure facility net of directly incremental transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The capital expenditure 3 year facility is an interest only facility with the principal payable on the maturity date of 2 October 2012. Interest is payable quarterly. The interest rate on the underlying facility is BBSY plus a margin of 3.0%. The interest rate charged on this facility at 30 June 2011 was 8.0750%, being BBSY of 5.0750% plus a margin of 3.0%. The margin is dependent on the long term credit

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

rating of PAPL. On 9 November 2011, PAPL cancelled the capital expenditure 3 year facility. All directly incremental transaction costs arising from the cancellation were expensed as incurred.

- (iii) The capital expenditure 5 year facility represents drawings on the 5 year capital expenditure facility net of directly incremental transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The capital expenditure 5 year facility is an interest only facility with the principal payable on the maturity date of 2 October 2014. Interest is payable quarterly. The interest rate on the underlying facility is BBSY plus a margin of 3.5%. The interest rate charged on this facility at 30 June 2011 was 8.5750%, being BBSY of 5.0750% plus a margin of 3.5%. The margin is dependent on the long term credit rating of PAPL. On 9 November 2011, PAPL cancelled the capital expenditure 5 year facility. All directly incremental transaction costs arising from the cancellation were expensed as incurred.
- (iv) The term syndicated facility tranche 1 represents the fully drawn \$269m bank loan facility net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The term syndicated facility tranche 1 is an interest only facility with the principal payable on the maturity date of 2 October 2012. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 3.0%. The interest rate charged on this facility at 30 June 2011 was 8.0750%, being BBSY of 5.0750% plus a margin of 3.0%. The margin is dependent on the long term credit rating of PAPL. The total facility of \$269m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly. On 9 November 2011, PAPL cancelled the term syndicated facility tranche 1. All directly incremental transaction costs arising from the cancellation were expensed as incurred.
- (v) The term syndicated facility tranche 2 represents the fully drawn \$156m bank loan facility net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The term syndicated facility tranche 2 is an interest only facility with the principal payable on the maturity date of 2 October 2014. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 3.5%. The interest rate charged on this facility at 30 June 2011 was 8.5750%, being BBSY of 5.0750% plus a margin of 3.5%. The margin is dependent on the long term credit rating of PAPL. The total facility of \$156m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly. On 9 November 2011, PAPL cancelled the term syndicated facility tranche 2. All directly incremental transaction costs arising from the cancellation were expensed as incurred.
- (vi) On 18 March 2011, the Company originated an other secured facility of \$120m. The other secured facility represents the fully drawn \$120m bank loan facility net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The other secured facility is an interest only facility with the principal payable on the maturity date of 24 March 2014. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 2.1%. The interest rate charged on this facility

Note 19: Interest-bearing loans & borrowings (continued)

- at 30 June 2011 was 7.1750%, being BBSY of 5.0750% plus a margin of 2.1%. The margin is dependent on the long term credit rating of PAPL. The total facility of \$120m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly. On 9 November 2011, PAPL cancelled the other secured facility of \$120m. All directly incremental transaction costs arising from the cancellation were expensed as incurred.
- (vii) 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). Transaction costs are amortised on a straight line basis over the contractual life of the facility. The interest rate charged on this facility at 30 June 2012 was 4.0583% (2011: 5.2450%), being BBSW of 3.8383% (2011: 5.0250%) plus a margin of 0.22%, and is paid quarterly. The total facility of \$100m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly.
- (viii) 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). Transaction costs are amortised on a straight line basis over the contractual life of the facility. The interest rate charged on this facility at 30 June 2012 was 4.0883% (2011: 5.2750%), being BBSW of 3.8383% (2011: 5.0250%) plus a margin of 0.25%, and is paid quarterly. Interest on the hedged facility is also paid quarterly.
- (ix) Interest is payable on the subordinated shareholder loans at the 6 months BBSW rate set on 30 April the preceding financial year, and applied from 1 July beginning of each financial year thereafter, plus a margin of 8% p.a. Tranches of subordinated shareholder loans that are drawn down during the year accrue interest expense based on the 6 months BBSW rate at the date the tranche is drawn down, plus a margin of 8% p.a. The repayment date of the subordinated shareholder loans is no later than 31 May 2019.
- The Company issued a \$45m tranche of subordinated shareholder loans on 13 December 2011. The interest rate charged on this tranche at 30 June 2012 was 12.39%, being 6 month BBSW rate of 4.39% set at 13 December 2011, plus a margin of 8% p.a.
- The Company also issued \$30.6m of subordinated shareholder loans on 18 June 2012. The interest rate charged on this tranche at 30 June 2012 was 11.4417%, being 6 month BBSW rate of 3.4417% set at 18 June 2012, plus a margin of 8% p.a.
- 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.
- (x) The syndicated facility tranche 1 represents the fully drawn \$315m syndicated loan facility net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The syndicated facility tranche 1 is an interest only facility with the principal payable on the maturity date of 9 November 2015. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

margin of 1.7%. The interest rate charged on this facility at 30 June 2012 was 5.4617%, being BBSY of 3.7617 % plus a margin of 1.7%. The margin is dependent on the long term credit rating of PAPL. The total facility of \$315m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly.

(xi) The syndicated facility tranche 2 represents the fully drawn \$300m syndicated loan facility net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The syndicated facility tranche 2 is an interest only facility with the principal payable on the maturity date of 9 November 2017. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 2.15%. The interest rate charged on this facility at 30 June 2012 was 5.9117%, being BBSY of 3.7617 % plus a margin of 2.15%. The margin is dependent on the long term credit rating of PAPL. The total facility of \$300m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly.

(xii) The syndicated facility tranche 3 represents drawings on syndicated loan facility net of transaction costs.

Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The syndicated facility tranche 3 is an interest only facility with the principal payable on the maturity date of 9 November 2018. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 2.3%. The interest rate charged on this facility at 30 June 2012 was 6.0617 %, being BBSY of 3.7617 % plus a margin of 2.3%. The margin is dependent on the long term credit rating of PAPL. The total drawn down amount of the facility at 30 June 2012 of \$88.5m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly.

(xiii) The working capital facility of \$15m is an interest only facility with the principal payable on the maturity date of 9 November 2015. The interest rate on the underlying facility is BBSY plus a margin of 1.7%. The margin is dependent on the long term credit rating of PAPL. The balance at 30 June 2012 represents unamortised directly incremental transaction costs that are amortised on a straight line basis over the contractual life of the facility.

(xiv) At 30 June 2012, the average interest rate on the facilities utilised at reporting date was 7.09%, (2011: 7.77%) being an average rate 5.19% (2011: 6.97%) and an average credit margin of 1.90% (2011: 0.80%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 19. Interest-bearing loans & borrowings (continued)

(b) Financing Arrangements excluding subordinated borrowings:

	NOTES	2012 \$'000	2011 \$'000
<b>Total facilities available:</b>			
Working capital and liquidity facility	(i)	-	50,000
Capital expenditure - 3 year facility	(ii)	-	90,830
Capital expenditure - 5 year facility	(ii)	-	54,170
Term syndicated facility - Tranche 1	(iii)	-	269,000
Term syndicated facility - Tranche 2	(iii)	-	156,000
Other secured facility	(iv)	-	120,000
Bond Issue - 7 years		100,000	100,000
Bond Issue - 10 years		240,000	240,000
Syndicated facility - Tranche 1		315,000	-
Syndicated facility - Tranche 2		300,000	-
Syndicated facility - Tranche 3		300,000	-
Working capital facility		15,000	-
	(v)	1,270,000	1,080,000
<b>Facilities utilised at reporting date</b>			
Working capital and liquidity facility	(i)	-	35,000
Capital expenditure - 3 year facility	(ii)	-	36,645
Capital expenditure - 5 year facility	(ii)	-	21,855
Term syndicated facility Tranche 1	(iii)	-	269,000
Term syndicated facility Tranche 2	(iii)	-	156,000
Other secured facility	(iv)	-	120,000
Bond Issue - 7 years		100,000	100,000
Bond Issue - 10 years		240,000	240,000
Syndicated facility - Tranche 1		315,000	-
Syndicated facility - Tranche 2		300,000	-
Syndicated facility - Tranche 3		88,500	-
Working capital facility		-	-
		1,043,500	978,500
<b>Facilities not utilised at reporting date</b>			
Working capital and liquidity facility	(i)	-	15,000
Capital expenditure - 3 year facility	(ii)	-	54,185
Capital expenditure - 5 year facility	(ii)	-	32,315
Syndicated facility - Tranche 3		211,500	-
Working capital facility		15,000	-
		226,500	101,500

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (i) On 9 November 2011, PAPL cancelled the working capital and liquidity facility of \$50m.
- (ii) On 9 November 2011, \$145m of the capital expenditure facilities were cancelled, comprising of \$90,830,189 of the capital expenditure 3 year facility, and \$54,169,811 of the capital expenditure 5 year facility.
- (iii) On 9 November 2011, \$425m of the capital expenditure facilities were cancelled, comprising of \$269m of the term syndicated facility tranche 1 facility, and \$156m of the term syndicated facility tranche 2 facility.
- (iv) On 9 November 2011, the other secured facility of \$120m were cancelled.
- (v) A \$300m Cash Advance Facility with a contractual maturity date of 9 November 2012, was offered to the Group at 30 June 2012 but not accepted. With the execution of the USPP on 26 July 2012 (refer to note 19(d)), the Cash Advance Facility was terminated by agreement per the terms of the Cash Advance Facility on 27 July 2012. The cost of maintaining this uncommitted facility was an initial escalating ticking fee of 35 bps.

### (c) Secured Debt - Security and Covenants:

The secured borrowings are fully secured over all the assets of PAPL, including a mortgage over the entity's interest under the Perth Airport lease. In addition, PADG has guaranteed repayment of the outstanding indebtedness by providing a charge over its shares and shareholder loans in PAPL and a featherweight charge over all of its property. The following ratios and covenants, failure of which is an event of default, are reported quarterly in a Compliance Certificate in accordance with the terms defined in the Syndicated Facility Agreement:

- (i) The Debt Service Cover Ratio ("DSCR") is the ratio of total cash flows available for debt service compared to the senior debt interest expense. The covenants require that the DSCR on the most recent Ratio Date not to fall below 1.10:1. The covenant reported at 30 June 2012 was 2.58:1.
- (ii) The Leverage Ratio is the ratio of total gross senior debt to the aggregate of total gross senior debt plus the book carrying value of investments, loans and any other debt or equity interest of PADG in PAPL. The covenants within the borrowings require that the Leverage Ratio is not to exceed 0.75:1. The covenant reported at 30 June was 0.37:1. Refer to note 25 for further details.
- (iii) Debt Service Amount - a minimum level of free cash is to be maintained equivalent to three months of senior debt interest. This is managed through the amounts deposited in the Debt Service Reserve Account (note 8). During the current and prior years, there were no defaults or breaches on any of these covenants.

### (d) Event occurring after balance sheet date - United States Private Placement

The Company issued US\$270 million and A\$30 million of senior secured notes in a private placement issue to US Investor on 26 July 2012. The proceeds will be used as part of the funding of Perth Airport's \$750 million expansion plans and, as a consequence of this successful capital market issue, the \$300 million Cash Advance Facility negotiated in November 2011 was cancelled on 27 July 2012 (refer to note 19(b)(v)). The exposure to USD foreign currency risk was hedged via a USD \$270 million cross currency swap with a trade date of 24 May 2012, and a settlement date of 26 July 2012 (refer to Note 22(ii)).

The US\$270 million is comprised of US\$50 million at 4.47% coupon maturing on 26 July 2022, US\$80 million at a 4.57% coupon maturing on 26 July 2024 and US\$140 million at a 4.77% coupon maturing on 24 July 2027. The A\$30 million is a 7.32% coupon maturing on 24 July 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 20. Non-Current Provisions	NOTES	2012 \$'000	2011 \$'000
<b>Onerous Contract:</b>			
Opening balance		-	1,453
Discount adjustment		-	-
Transfer to current portion	18	-	(1,453)
Balance at 30 June	(a)	-	-
<b>Long service leave:</b>			
Opening balance		499	282
Transfers (to)/from current portion	18	(144)	130
Increase in provision		-	87
Balance at 30 June		355	499
		355	499

(a) The technical services agreement with the Port of Portland Holdings was terminated on 27 April 2011.

Refer to note 30.

Note 21. Deferred Revenue	2012 \$'000	2011 \$'000
<b>Current Liabilities:</b>		
Opening balance at 1 July	1,501	1,461
Deferred revenue received during the year	562	44
Recognised as income	(1,702)	(1,466)
Transfer from non-current portion	1,461	1,462
	1,822	1,501
<b>Non Current Liabilities:</b>		
Opening balance at 1 July	27,699	29,161
Deferred revenue received during the year	800	-
Transfer to current portion	(1,461)	(1,462)
	27,038	27,699

Deferred income primarily represents prepaid lease income received in advance for investment properties and is recognised as income over the term of the lease on a straight line basis.

During the year ending 30 June 2012, the Company received revenue in advance of \$147,727 (2011: \$44,175) from retail operations that will be recognised in the income statement in financial year 2012.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 22. Derivative Financial Instruments - Liabilities	NOTES	2012 \$'000	2011 \$'000
<b>Financial liabilities at fair value through other comprehensive income</b>			
<b>Current liabilities</b>			
Interest rate swap contracts - cash flow hedges		-	275
<b>Non-current liabilities</b>			
Interest rate swap contracts - cash flow hedges		57,026	27,018
<b>Total financial liabilities at fair value through other comprehensive income</b>		<b>57,026</b>	<b>27,293</b>
<b>Financial liabilities at fair value through profit or loss</b>			
Interest rate swaps not designated as cash flow hedges		2,725	-
Cross currency swaps	(ii)	3,471	-
<b>Total financial liabilities at fair value through profit or loss</b>		<b>6,196</b>	<b>-</b>
<b>Total financial liabilities</b>		<b>63,222</b>	<b>27,293</b>
<b>Total current financial liabilities</b>		<b>-</b>	<b>275</b>
<b>Total non-current financial liabilities</b>		<b>63,222</b>	<b>27,018</b>

Cash flow hedges are used to hedge exposures relating to PAPL's variable rate borrowings. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The objective of the interest rate swap contracts is to fix the cash flows on its interest-bearing loans and borrowings. Accordingly per the interest rate swap contracts, PAPL receives interest at variable rates and pays interest at fixed rates. Note 19(a) details out the various variable interest rates payable on the senior debt facilities.

Variable rates received on derivative financial instruments 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 settlement dates coincide with the quarterly dates on which interest is payable on the underlying interest-bearing loans and borrowings. At 30 June 2012, the weighted average interest rate of the interest rate swap contracts was 4.6174% (2011: 5.9787%).

The effectiveness of PAPL's hedging relationships relating to its interest-bearing loans and borrowings is tested 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 22. Derivative Financial Instruments - Liabilities (continued)

The effective portion of gains or losses from remeasuring the fair value of the hedge instruments are recognised directly in equity in the cash flow hedging reserve until such time as the hedged item affects the profit and loss, then the gains or losses are re-classified into the profit and loss when the interest expense is recognised. The ineffective portion is recognised in the profit and loss immediately. During the year an income of \$72,799 (2011: \$1,616) was recognised as hedge ineffectiveness in the profit and loss.

Interest rate swaps in place cover 104% (2011: 100%) of the underlying hedged principal outstanding. The fixed interest rates range between 4.500% and 4.800% (2011: 4.800% to 6.200%) and the variable rate at balance date was BBSY in a range between 3.558% and 5.075% (2011: 4.780% and 5.075%) and BBSW in a range of 3.508% and 5.025% (2011: 4.730% and 5.025%).

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

	NOTIONAL CONTRACT AMOUNT 2012 \$'000	NOTIONAL CONTRACT AMOUNT 2011 \$'000	MATURITY DATE
<b>Underlying hedged item</b>			
Interest rate swaps - 7 year bonds	-	100,000	11 November 2013
Interest rate swaps - 10 year bonds	-	240,000	11 November 2016
Term Syndicated Facility - Tranche 1	-	119,000	11 November 2011
Term Syndicated Facility - Tranche 1	-	119,000	11 November 2016
Term Syndicated Facility - Tranche 1	-	150,000	11 November 2016
Term Syndicated Facility - Tranche 2	-	125,000	2 October 2014
Term Syndicated Facility - Tranche 2	-	31,000	11 November 2011
Term Syndicated Facility - Tranche 2	-	31,000	11 November 2016
Other Secured Facility	-	120,000	24 March 2014
Interest rate swaps - 7 year bonds	100,000	-	9 November 2018
Interest rate swaps - 10 year bonds	240,000	-	11 November 2016
Syndicated Facility - Tranche 1	73,378	-	9 November 2018
Syndicated Facility - Tranche 1	241,622	-	11 November 2016
Syndicated Facility - Tranche 2	300,000	-	9 November 2018
Syndicated Facility - Tranche 3	88,500	-	9 November 2019
	1,043,500	1,035,000	
<b>Derivatives not designated as hedges</b>			
Interest rate swaps not hedged	38,121	-	20 June 2019
	1,081,621	1,035,000	
<b>Total interest rate swap notional</b>			

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### ii) Cross Currency Swap settled post balance sheet date

A United States Private Placement (“USPP”) was executed on 26 July which raised USD \$270 million and AUD\$30 million (refer to Note 19(d)). To hedge the \$USD foreign currency risk, three cross currency swap transactions were traded on 24 May 2012 with an execution date of 26 July 2012. The net impact, as detailed beneath, was to exchange USD \$270 million for \$AUD 276.56 million:

INITIAL EXCHANGE PAPL PAYS \$USD	INITIAL EXCHANGE PAPL RECEIVES \$AUD	NOTIONAL AMOUNT	PAPL PAYS \$AUD FLOATING RATE	PAPL PAYS SPREAD ON \$AUD FLOATING RATE	PAPL RECEIVES \$USD FIXED	MATURITY DATE
140,000,000	143,405,890	143,405,890	AUD_BBR_BBSW	3.1749%	4.7700%	26 July 2027
80,000,000	81,946,223	81,946,223	AUD_BBR_BBSW	3.1825%	4.5700%	26 July 2024
50,000,000	51,216,389	51,216,389	AUD_BBR_BBSW	3.2565%	4.4700%	26 July 2022
270,000,000	276,568,502	276,568,502				

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 23. Deferred Tax Liabilities

	NOTES	STATEMENT OF FINANCIAL POSITION		PROFIT AND LOSS		OTHER COMPREHENSIVE INCOME	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deferred income tax at 30 June relates to:							
<i>Deferred tax liabilities</i>							
Accelerated depreciation for tax purposes		29,109	27,290	1,819	(6,687)	-	-
Revaluations of investment properties to fair value		174,864	65,653	109,211	5,364	-	-
Prepaid rent - operational rent		8,941	9,059	(119)	(119)	-	-
Contractual intangible assets		1,086	1,679	(593)	(512)	-	-
Deferred finance costs		477	471	6	73	-	-
Property development income - future assessable amounts		19,636	10,756	8,880	(324)	-	-
Accrued revenue and expenses		1,484	2,907	(1,423)	1,867	-	-
		<u>235,597</u>	<u>117,815</u>	<u>117,781</u>	<u>(338)</u>	-	-
<i>Deferred tax assets</i>							
Doubtful debts		-	(34)	34	64	-	-
Accrued expenses		(45)	(25)	(20)	7	-	-
Capitalised legal expenses		(108)	(148)	40	146	-	-
Derivative financial instruments - cash flow hedges		(17,130)	(8,188)	4,553	-	(13,495)	917
Derivative financial instruments - held for trading		(1,859)	-	(1,859)	-	-	-
Provision for onerous contract		-	-	-	725	-	-
Employee benefits		(1,489)	(1,350)	(139)	(161)	-	-
		<u>(20,631)</u>	<u>(9,745)</u>	<u>2,609</u>	<u>781</u>	<u>(13,495)</u>	<u>917</u>
Net deferred tax liabilities at 30 June		<u>214,966</u>	<u>108,070</u>				
Deferred tax expense	5			120,390	(443)		
Net transfers to Other Comprehensive Income	5					(13,495)	917

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 24. Contributed Equity

	NO. SHARES	\$'000
Movement in ordinary shares on issue		
At 30 June 2010	145,618,627	150,765
Share issue	(i) 458,936	2,700
At 30 June 2011	146,077,563	153,465
Share issue	(ii) 696,518	8,400
At 30 June 2012	146,774,081	161,865

(i) On 10 December 2010, 458,936 ordinary shares were issued at a price of \$5.88 per ordinary share.

(ii) A total of 696,518 ordinary shares at a price of \$12.06 per ordinary share were issued during the financial year comprising of 414,594 ordinary shares issued on 13 December 2011 and 281,924 ordinary shares on 18 June 2012. The issue of new ordinary shares during the year was pro-rata to existing shareholders by way of a non-renounceable rights issue of one ordinary share for every sixty held. A further 204,356 (2011: 900,874) shares remain to be issued before 30 June 2013 at a price of \$5.88 (2011: \$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

##### (a) Asset Revaluation Reserve

The asset revaluation reserve represents the fair value movement arising from the transfer of capitalised lease-operational land to investment property.

##### (b) Cash flow hedge reserve

The cash flow hedge reserve records the portion of the gain or loss on interest rate swaps net of income tax designated in a cash flow hedge that is determined to be an effective hedge.

The cash flow hedge reserve also records the net movement of interest rate swaps that were both derecognised, and reset, arising from a refinance in November 2011. A total cost from both derecognition and reset of \$58,060,805 was incurred, representing the fair value of interest rate swaps derecognised to the income statement of \$40,550,805 (refer to note 3(b)), and the gross amount of the interest rate swap reset costs in 10 year bonds of \$17,510,000 that are retained in the cash flow hedge reserve.

The interest rate swap reset costs of \$17,510,000 represents the fair value of the interest rate reset costs at that date. In accordance with accounting standards, this fair value is retained within equity and amortised to interest expense over the life of the 10 year bonds until 11 November 2016 (refer to note 19(a)(viii)). The net movement in the reserve for the year ending 30 June 2012 is detailed beneath:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 24. Contributed Equity (continued)	NOTES	SWAP RESET COSTS 2012	EFFECTIVE HEDGE RELATIONSHIPS 2012	TOTAL RESERVE 2012
	\$'000	\$'000		\$'000
<b>Movement for the year ending 30 June 2012</b>				
Change fair value of interest rate swaps - Nov 2011		-	(30,769)	(30,769)
Derecognition of interest rate swaps - Nov 2011	3(b)	(17,510)	58,060	40,550
Net change in fair value of interest rate swaps - Nov 2011 to June 2012		-	(57,100)	(57,100)
Amortisation of interest rate swap reset costs	3(b)	2,335	-	2,335
		(15,175)	(29,809)	44,984
Deferred tax - other comprehensive income	23	4,553	8,942	13,495
<b>Movement for the year ending 30 June 2012 net of deferred tax</b>				
		(10,622)	(20,867)	(31,489)
Balance at 1 July 2011 net of deferred tax		-	(19,102)	(19,102)
<b>Balance at 30 June 2012 net of deferred tax</b>		(10,622)	(39,969)	(50,591)

### Note 25. Financial Risk Management

The Group has material exposures to the following financial risks from their financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies 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.

PAPL'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 PAPL's finance department, under policies approved by the Board of Directors with oversight by the Audit & Risk Committee. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group enters into derivative transactions in accordance with the Board approved hedging policy to manage its exposure to market risks. Principally, PAPL hedges the interest rate risks arising from senior debt by the use of interest rate swaps. PAPL does not speculatively trade in derivative instruments.

### (a) Capital Risk Management

The Capital Management Policy first approved by the Board in July 2006, and the Treasury Policy first approved by the board in July 2011, and both subsequently updated and approved by the Board as required, outline the Group's objectives and approach for treasury management.

A fundamental tenet of these policies is the adoption of specific policies and procedures promoting ongoing financial discipline in the PAPL's finance department, including the areas of risk management, credit rating and leverage.

These policies also aim to promote financial stability and transparency to its key stakeholders and to maintain high standards of corporate governance.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk 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.

### Shareholder Distributions

PAPL 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.

In order to maintain or adjust the capital structure, PAPL may adjust shareholder distributions to allow for working capital, investment and expansion requirements, while prudently considering the market influences on PAPL's business, with an objective of maintaining a sustainable long term strong investment grade credit rating.

Distributions to shareholders are subject to Board approval and satisfying the requirements and guidelines of the following documents:

- Syndicated Facility Agreement.
- Bond Commercial Terms Deed.
- Shareholder's Agreement.
- Capital Management Policies and Procedures.

### Financial Leverage

The Group aims to maintain a leverage ratio below 0.75:1 (2011: 0.75:1) (refer to Note 19(c)(ii)).

The leverage ratio is defined as the ratio of outstanding gross senior debt to the sum of:

- Outstanding gross senior debt;
- The book carrying value of PADG's (refer to note 30(vi)) investment in PAPL; and
- The book carrying value of loans and any other debt or equity interest invested by PADG in PAPL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 25. Financial Risk Management (continued)

PAPL's leverage ratios based on continuing operations at 30 June 2012 and 2011 were as follows:

	2012 \$'000	2011 \$'000
Accrued interest on senior debt facilities	7,746	9,981
Capital expenditure - 3 year facility	-	36,645
Capital expenditure - 5 year facility	-	21,855
Term syndicated facility - Tranche 1	-	269,000
Term syndicated facility - Tranche 2	-	156,000
Other secured facility	-	120,000
Syndicated facility - Tranche 1	315,000	-
Syndicated facility - Tranche 2	300,000	-
Syndicated facility - Tranche 3	88,500	-
Bond Issue - 7 years	100,000	100,000
Bond Issue - 10 years	240,000	240,000
Less DSRA balance	(18,376)	-
<b>Total senior debt</b>	<b>1,032,870</b>	<b>953,481</b>
<b>Book carrying value of PADG's investment in PAPL</b>	<b>1,691,411</b>	<b>1,746,700</b>
Shareholder loans	131,006	55,304
<b>Book carrying value of loans from PADG to PAPL</b>	<b>131,006</b>	<b>55,304</b>
Leverage ratio	36%	35%

#### (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. Credit risk arises principally from the Group's trade and other receivables.

Credit risk also arises from the financial assets of the Group, which comprise cash and cash equivalents, and financial liabilities, comprising of derivative instruments. The Group'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 Group has a diverse range of customers and tenants and 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 the Group's exposure by these sectors. To manage this risk:

- It is PAPL's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- PAPL may require collateral, bank or security deposits, or bank guarantees, where appropriate (refer to Note 8 and Note 11). There are no other credit enhancements.
- Receivable balances are monitored on an ongoing basis with the result that PAPL's exposure to bad debts is not significant.

PAPL has established an allowance for impairment that represents the estimate of incurred losses in respect of trade and other receivables. The main component of this allowance are a specific loss component that relates to individually significant exposures. There are no allowances for impairment in the current and prior year representing collective unrecognised impairment assessed on an incurred basis.

### (ii) Cash and cash equivalents

Cash balances on deposit are limited to high credit quality authorised deposit institutions in Australia.

The carrying amount of the Group's financial assets represents the maximum credit exposure except for derivative financial instruments as disclosed in Note 22. The Group's maximum exposure to credit risk at the reporting date from financial assets was:

	NOTES	2012 \$'000	2011 \$'000
Cash and cash equivalents	8	75,002	56,379
Trade and other receivables	9	49,704	29,011
Operating lease receivable	11	4,973	3,959
		<u>129,679</u>	<u>89,349</u>

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

	NOTES	2012 \$'000	2011 \$'000
Aeronautical debtors		16,296	15,931
Property debtors		21,703	1,845
Ground transport debtors		601	661
Retail debtors		5,240	2,047
Sundry trade debtors		775	425
	9	<u>44,615</u>	<u>20,909</u>

## Note 25. Financial Risk Management (continued)

### 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 Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its distribution policy, undrawn senior debt, committed available credit lines including the working capital facility, bond issues and operational surpluses.

The Group 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 the Treasury Policy, monthly updates are presented to the Board in the form of a rolling 12 month cash flow forecasts. In addition, a minimum level of free cash is maintained, equivalent to three months of senior debt service amount (refer to note 8). The use of committed liquidity facilities, and undrawn senior debt, to meet short term liquidity requirements is also available. At balance date, the Group has available \$226.5m (2011: \$101.5m) of facilities not utilised (refer to note 19(b)).

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 2012.

The respective undiscounted cash flows for the respective upcoming fiscal years are presented.

The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. The interest rate derivative financial liabilities are presented on a net settled basis, while the cross currency swap is presented on a gross basis. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the PAPL can be required to pay. It is not expected that the cash flows in the beneath maturity analysis could occur significantly earlier, or at significantly different amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	CARRYING AMOUNT \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	LESS 12 MONTHS \$'000	1-2 YEARS \$'000	2-5 YEARS \$'000	MORE THAN 5 YEARS \$'000
<b>2011</b>						
<b>Liquid financial assets</b>						
Cash and cash equivalents	56,379	56,379	56,379	-	-	-
Trade and other receivables	28,895	28,895	28,895	-	-	-
<b>Total liquid financial assets</b>	<b>85,274</b>	<b>85,274</b>	<b>85,274</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non derivative financial liabilities</b>						
Trade and other payables	(28,068)	(28,068)	(28,068)	-	-	-
Interest-bearing loans & borrowings	(983,734)	(1,144,850)	(126,137)	(349,727)	(424,159)	(244,827)
<b>Derivative financial liabilities</b>						
Interest rate swap hedge liabilities	(27,293)	(46,743)	(16,888)	(10,174)	(17,668)	(2,014)
<b>Total financial liabilities</b>	<b>(1,039,095)</b>	<b>(1,219,661)</b>	<b>(171,093)</b>	<b>(359,901)</b>	<b>(441,827)</b>	<b>(246,841)</b>
<b>Net inflow / (outflow)</b>			<b>(85,819)</b>	<b>(359,901)</b>	<b>(441,827)</b>	<b>(246,841)</b>
<b>2012</b>						
<b>Liquid financial assets</b>						
Cash and cash equivalents	75,002	75,002	75,002	-	-	-
Trade and other receivables	49,704	49,704	49,704	-	-	-
<b>Total liquid financial assets</b>	<b>124,706</b>	<b>124,706</b>	<b>124,706</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non derivative financial liabilities</b>						
Trade and other payables	(41,045)	(41,045)	(41,045)	-	-	-
Interest-bearing loans & borrowings	(1,162,241)	(1,456,111)	(58,104)	(152,968)	(686,195)	(558,843)
<b>Derivative financial liabilities</b>						
Interest rate swap hedge liabilities (net settled)	(59,751)	(122,338)	(21,535)	(22,794)	(60,847)	(17,162)
Cross Currency Swap (gross settled)						
- Outflow	-	(496,371)	(16,573)	(15,771)	(47,715)	(416,312)
- Inflow	-	436,337	12,539	12,539	37,651	373,608
Cross currency swap carrying amount	(3,471)	-	-	-	-	-
<b>Total financial liabilities</b>	<b>(1,266,508)</b>	<b>(1,679,528)</b>	<b>(124,718)</b>	<b>(178,994)</b>	<b>(757,106)</b>	<b>(618,709)</b>
<b>Net inflow / (outflow)</b>			<b>(12)</b>	<b>(178,994)</b>	<b>(757,106)</b>	<b>(618,709)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 25. Financial Risk Management (continued)

#### (b) Risk exposures and mitigation (continued)

##### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Changes in market prices, such as interest rates and foreign currency risk, will affect the Group's income or the value of its 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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to variable interest rates relates on PAPL's long-term debt obligations which is disclosed in note 19.

These debt obligations are subject to cash flow hedges which are used to hedge the variable interest rate exposure by converting the variable interest rates into a fixed rate of interest.

Note 22 outlines the notional amount of interest rate swap contracts and the underlying hedged debt obligations. Interest rate swap contracts outlined in note 22, with fair value of \$63.222m out of the money (2011: \$27.293m), are exposed to fair value movements if interest rates change.

At balance date, the Company had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2012 \$'000	2011 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	75,002	56,379
	<u>75,002</u>	<u>56,379</u>
<b>Financial Liabilities</b>		
Capital expenditure - 3 year facility	-	34,279
Capital expenditure - 5 year facility	-	19,653
Cross currency swaps	3,471	-
Subordinated shareholder loans	131,006	55,304
	<u>134,477</u>	<u>109,236</u>
<b>Net Financial Assets / (Liabilities)</b>	<u>(59,475)</u>	<u>(52,857)</u>

The Hedging Policy incorporated in the Treasury Policy prescribes the use of interest rate swaps to hedge minimum nominal principal amounts of senior debt for periods up to 5 years after balance sheet date. To manage this interest rate risk in a cost effective manner, PAPL enters into interest rate swaps, in which it agrees to exchange, at specified

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

intervals, the difference between fixed and variable interest rate amounts calculated by reference to the agreed-upon notional principal amount. These swaps are designated to hedge underlying senior debt obligations.

At 30 June 2012, after taking in to account the effect of these interest rate swaps, approximately 89% of the Company's total interest-bearing loans and borrowings is hedged at a fixed rate of interest (2011: 87%), while 104% (2011: 90%) of the Company's senior interest-bearing loans and borrowings is at a hedged at a fixed rate of interest.

### Cash flow sensitivity analysis for variable rate instruments

The Group constantly analyses its interest rate exposures. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would be have been affected as follows:

JUDGMENTS OF REASONABLE POSSIBLE MOVEMENTS:	EFFECT ON POST TAX PROFIT		EFFECT ON EQUITY	
	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
+25 basis points	(98)	(92)	9,481	5,880
-25 basis points	98	92	(9,619)	(5,951)

The movements in post tax profit are due to higher/lower interest costs from variable rate debt and cash and cash equivalents. The sensitivity is higher in 2012 than in 2011 because of the additional drawings of the shareholder loans during the year in outstanding borrowings (refer to note 19 (ix)) that are subjected to variable interest rate risk.

The movement in other comprehensive income is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges (refer to note 22). The sensitivity of derivatives has been based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve. The effect on other comprehensive income is the effect on the cash flow hedge reserve.

### (ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the year ending 30 June 2012, the Group's exposure to the risk of changes in foreign exchange rates relates primarily to cross currency swaps (refer to note 22(ii)) used to hedge the USPP (refer to note 19(d)). The Group is also exposed to foreign currency accounts payable transactions in the ordinary course of business for immaterial amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 25. Financial Risk Management (continued)

#### Foreign currency sensitivity analysis

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and AUD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of liabilities of cross currency swaps.

CHANGE IN US\$ RATE	EFFECT ON PROFIT BEFORE TAX			EFFECT ON EQUITY	
	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	
+1%	(4,204)	-	-	-	-
-1%	(2,613)	-	-	-	-

#### (c) 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(u).

#### (ii) Fair Value Hierarchy

The Group uses various methods in estimating the fair value of a financial instrument. These methods comprise:

- Level 1 - the fair value is calculated using quoted prices in active markets.
- Level 2 - the fair value is estimated using inputs from 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 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	QUOTED MARKET PRICE (LEVEL 1)	VALUATION TECHNIQUE - MARKET OBSERVABLE- INPUTS (LEVEL 2)	VALUATION TECHNIQUE - NON MARKET OBSERVABLE INPUTS (LEVEL 3)	TOTAL
	\$'000	\$'000	\$'000	\$'000
30 June 2012				
Financial Liabilities				
Derivative financial instruments	-	63,222	-	63,222
30 June 2011				
Financial Liabilities				
Derivative financial instruments	-	27,293	-	27,293

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Risk exposures and mitigation (continued)

There were no transfers between categories during the year.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. Derivative financial instruments are not quoted in active markets and use valuation techniques with observable market inputs or unobservable inputs that are not significant to the overall valuation.

### Note 26. Capital and Leasing Commitments

#### (i) Capital Commitments

	2012 \$'000	2011 \$'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	94,366	55,667

#### (ii) Technical Service Agreement

A technical service agreement ("TSA") existed between PAPL and Port of Portland Holdings Pty Ltd ("POPH") for the provision of technical advice to PAPL about its management, operation and maintenance of Perth Airport. Under the terms of the TSA, PAPL was 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 was for a period of 15 years expiring on 5 May 2012.

The TSA was considered to be an onerous contract and accordingly a provision for the future cash flows was raised as a liability at 30 June 2010 (refer to note 18 and 20). PAPL terminated the TSA agreement with Port of Portland Holdings Pty Ltd on 27 April 2011 (refer to note 30).

#### (iii) Finance and Operating Leases

During the year ending 30 June 2012, the Company as lessee entered into four separate Board approved premium leasing transactions which resulted in the disposal of investment land with a carrying value of \$2,402,900 (2011: \$1,180,876) (refer to note 14). Premium lease transactions are classified as a finance lease.

## Note 27. Contingent Liabilities

### (i) Native Title

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 PAPL 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.

### (ii) BGC (Australia) Pty Ltd Litigation

On 25 January 2011, BGC applied to Perth Airport for approval to build a large steel framed shed on the property.

On 20 April 2011, Perth Airport declined to give the approval sought by BGC for reasons including that the proposed shed was inconsistent with the Perth Airport Master Plan 2009, because it impacted on the extension of one of Perth Airport's runways and, among other things, the installation of High Intensity Approach Lighting for that extended runway. On 13 May 2011, BGC commenced proceedings against Perth Airport in the Federal Court. In the proceedings, BGC claims that Perth Airport's refusal to approve the building is invalid and that Perth Airport has breached the sub-lease. BGC also claims that Perth Airport represented to it that approval for the building would be given if certain conditions were met and that this representation was misleading and deceptive. BGC claims damages (which have not, as at the date of this report, been particularised) and declarations. Perth Airport has denied BGC's claims and filed its defence to those claims on 20 June 2011.

On 27 June 2011, at BGC's request, Perth Airport attended mediation, which was unsuccessful in resolving the dispute. On 24 August 2011, BGC served an interlocutory application seeking orders that, among other things, the Minister for Infrastructure and Transport be joined as a party to the proceedings and the Minister was subsequently joined to the proceeding. BGC alleges (in addition to the claims already alleged) that the Minister was acting beyond power in approving the Master Plan 2009, to the extent that the Master Plan 2009 contemplates the construction of High Intensity Approach Lighting, with the result being the Master Plan is invalid.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 15 November 2011, the Court ordered that the claim be heard in two parts. The first hearing will determine all claims, except for the alleged misleading and deceptive claim, and is likely to be listed for a hearing at the end of 2012 or the beginning of 2013. The matter is next before the court on 2 October 2012 for a directions hearing where it is likely the matter will be continued to be programmed towards trial dates.

### (iii) Qantas Domestic Terminal Lease

On 31 December 2018 (or sooner as determined), the Company shall acquire the Qantas domestic terminal lease (including all facilities) at their then fair market value either by agreement between the Company and the lessee or in the event of a dispute between the parties, each party shall engage their own valuer and if no agreement is reached an umpire shall be nominated by the API to act as an expert arbitrator. The Qantas Domestic Terminal Lease is currently disclosed within Other Intangible Assets per Note 16(d).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 28. Cash Flow Information

	NOTES	2012 \$'000	2011 \$'000
<b>Reconciliation of net profit after tax to net cash flows from operations</b>			
Profit from continuing operations after income tax		309,746	55,699
<i>Adjustments for:</i>			
Depreciation and amortisation		30,118	21,096
Derivative valuation and borrowing costs		6,322	8,347
Change in fair value of investment property	2(c)	(377,468)	4,680
Profit / (loss) on sale of infrastructure, plant and equipment	2(a)	(13)	(1)
Capital works in progress written off		91	55
		(31,204)	89,876
<b>Changes in assets and liabilities</b>			
Change in trade and other receivables		(21,414)	(1,867)
Change in other operating assets		(102)	(2,747)
Change in deferred tax assets	23	(10,886)	1,698
Change in deferred tax liabilities	23	117,781	(338)
Change in current tax liability		(8,907)	(2,889)
Change in deferred tax in equity	24(b)	13,494	(917)
Change in trade and other payables		16,230	1,830
Change in deferred revenue	21	(340)	(1,422)
Change in other provisions	18, 20	466	534
Change in interest-bearing liabilities		(13,720)	(606)
		61,398	83,152
Interest paid - interest rate swap reset costs		58,060	-
Interest paid		93,916	85,958
<b>Net cash from operating activities</b>		213,374	169,110

### 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.

Apart from the disclosure of the USPP debt issuance per note 19(d), there are no matters or circumstances that have arisen since 30 June 2012 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 30. Related Party disclosure

#### (i) Key Management Personnel

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

#### (i.i) Executives

Executives who held office during the financial year were:

Brad Geatches - Chief Executive Officer

Victor Howard - Chief Financial Officer

Peter Cock - Chief Operating Officer

Guy Thompson - General Manager Integrated Planning & Major Projects

Scott Norris - General Manager Commercial Services

Brian Krause - General Manager Aviation Business Development

Fiona Lander - General Manager Corporate Affairs and Organisational Development

Total compensation paid to executives for the financial year, including all amounts paid, payable or provided by any entity in the Group or on behalf of the Group, in exchange for services rendered to the Group:

	2012 \$	2011 \$
Total compensation		
<i>Short-term benefits:</i>		
Salary and fees	2,048,967	2,139,534
Bonus	680,670	560,210
	<u>2,729,637</u>	<u>2,699,744</u>
<i>Other benefits:</i>		
Termination benefits	-	30,654
Long Term Incentive Plan	888,306	111,098
	<u>888,306</u>	<u>141,752</u>
<i>Post employment benefits:</i>		
Superannuation contributions	333,233	255,735
Total	<u>3,951,176</u>	<u>3,097,231</u>

Note 30. Related Party disclosure (continued)

(i.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 Alexandra Campbell 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 Alexandra Campbell appointed alternate director;
- Australian Super Pty Ltd - Mr Lyndon Rowe with Ms Suzanne Findlay appointed as alternate director.

(i.iii) Director's Remuneration Scheme

In the year ending 30 June 2005, the PAPL Board approved the implementation of a Director's Remuneration Scheme ("DRS"), which provides for payment of directors fees of \$1 million per annum to directors appointed by shareholders in proportion to the respective shareholding of each shareholder in the parent entity (PADG). Directors that are independent are remunerated directly by the Company. The total amount paid to Directors for the year ended 30 June 2012 amounted to \$1,108,773 (2011: \$903,316).

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 2012 there was an amount of \$10,587 (2011: \$nil) in respect of fees payable to the shareholders.

(ii) 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 BBSW plus a margin of 8%. BBSW is set for the upcoming financial year based on the average mid rate for bills having a tenor closest to six months as displayed on the BBSW page on or about 10.30am (Melbourne time) on 30 April prior to the beginning of the financial year. The rate of interest for the year ending 30 June 2012 was 12.935% (2011: 12.8667%), being BBSW of 4.935% (2011: 4.8867) plus a margin of 8%. The interest rate for the financial year ending 30 June 2013 has been set at 12.0167%, being BBSW of 4.0167% plus a margin of 8%. Interest on the subordinated shareholder loan is capitalised if not paid each quarter. A total of \$10,672,268 (2011: \$5,956,192) of interest was incurred during the year, while interest totaling \$10,672,268 (2011: \$5,956,192) was paid during the year.

Where at the end of any period, interest on the debt is not paid by PAPL because such a payment would be in breach of the bank finance agreement provisions, then interest for that period will be capitalized, and shall be paid in full on the repayment date of the loan. Furthermore per Clause 12.1(c) of the Shareholder's Agreement, the Company may not declare a dividend until it has repaid in full all interest accrued and unpaid (whether capitalised or not) on subordinated shareholder loans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As part of the additional capital raising during the year, shareholders contributed an additional \$75.6m (2011: \$24.3m) of subordinated shareholder loans on 13 December 2011 and 18 June 2012. There were no principal repayments of the subordinated shareholder loan during the financial year (2011: nil).

### (iii) Technical Services Agreement

A technical service agreement existed between PAPL 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 engaged POPH for the purpose of providing technical advice about management, operations and maintenance of the airport.

The contract was initially based on normal commercial terms and conditions, however it considered to be an onerous contract and accordingly a provision for the future cash flows was raised as a liability at 30 June 2010 (refer to note 18 and 20). PAPL terminated the TSA agreement with Port of Portland Holdings Pty Ltd on 27 April 2011. A total of \$nil (2011: \$2,556,927) was paid to POPH during the financial year, inclusive of the final settlement payment on 30 March 2011 for \$1,834,034.

### (iv) Perth Airport Property Trust

On 5 April 2005 the Perth Airport Property Trust ("PAPT") was established with common shareholders to PADG. The establishment of the trust involved the sale of properties held by PAPL to PAPT for consideration of \$12,000,000 based on normal commercial terms and conditions and included costs of sale totalling \$10,947,580.

As part of the sale of two investment properties to PAPT, PAPL entered into an arrangement in 2005 whereby a finance lease receivable of \$12,000,000 from PAPT to PAPL offsets a security deposit of \$12,000,000 provided by PAPL to PAPT which would otherwise be recognised as a non-current interest bearing liability of PAPL. PAPL 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 statement of comprehensive income as a result of the transaction.

On 5 April 2005, a ground lease from PAPL to PAPT was enacted. The ground lease has a term of 40 years and is indexed annually for the life of the lease. For the year ending 30 June 2012, PAPL received from PAPT ground rental income of \$95,755 (2011: \$85,409).

PAPL holds a property management agreement with PAPT, whereby PAPL receives a fee calculated at 5% per annum of the gross revenue from properties held by PAPT. At 30 June 2012, PAPL received \$124,652 (2011: \$110,278) in management fees from PAPT.

PAPT also pays to PAPL recharged property service costs which comprises of recharged service and utility expenditure. For the year ending 30 June 2012, PAPL received from PAPT recharged property service income of \$705,474 (2011: \$617,752).

At 30 June 2012, there was \$37,897 (2011: 30,968) of trade payables owing from PAPT to PAPL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 30. Related Party disclosure (continued)

#### (v) Other Related Parties

Australian Super Pty Ltd is the trustee of the Australian Super Superannuation Fund. Australian Super is the default superannuation fund for employees of Perth Airport. On 1 July 2011 Westscheme merged with Australian Super. Australian Super is a shareholder of the Company.

Colonial First State Private Capital Ltd (CFI) and the Officers Superannuation Fund's interests in PADG 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 Group on normal commercial terms and conditions.

#### (vi) Ownership Interests

The ultimate Australian parent entity is Perth Airport Development Group Pty Ltd (PADG), which at 30 June 2012 owns 100% of the issued ordinary shares of PAPL. Transactions between PADG and PAPL for the year consisted of subordinated loans advanced by PADG, and also payments to PADG as the head entity of the tax-consolidated group, representing the current tax liability assumed by PADG. Aggregate amounts payable to PADG by PAPL at 30 June were as follows:

	NOTES	2012 \$'000	2011 \$'000
Income tax payable / (receivable)	1(r)(ii)	(7,115)	1,792
Subordinated shareholder loans	19	131,006	55,304
		<u>123,891</u>	<u>57,096</u>

(b) PADG is owned by the following shareholders:

	2012 %	2011 %
Hastings Funds Management Ltd as the single responsible entity for the Australian Infrastructure Fund (1)	29.7%	29.7%
Hastings Funds Management Ltd as the Trustee for the Infrastructure Fund (1)	4.3%	4.3%
Utilities of Australia Pty Ltd as the Trustee for the Utilities Trust of Australia (2)	38.3%	38.3%
Utilities of Australia Pty Ltd as the Trustee for the Perth Airport Property Fund (2)	17.3%	17.3%
Australian Super Pty Ltd (3)	5.0%	5.0%
Commonwealth Bank Officers Superannuation Corporation Pty Ltd as trustee for Commonwealth Bank Group Super (4)	3.2%	3.2%
Colonial First State Private Capital Ltd	2.2%	2.2%
	<u>100.0%</u>	<u>100.0%</u>

(1) Hastings Funds Management Ltd is wholly owned by Westpac Institutional Holdings Ltd which in turn is a wholly owned subsidiary of Westpac Banking Corporation.

(2) Utilities Trust of Australia Pty Ltd and the Perth Airport Property Fund are managed by Hastings Funds Management Ltd.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(3) The Board of Directors on 24 November 2011 approved the transfer of the fully paid ordinary shares in the Company from Westscheme Pty Ltd (ACN 009 194 218) as trustee of Westscheme to Australian Super Pty Ltd as trustee of Australian Super (ACN 006 457 987).

(4) On 28 May 2012 the Commonwealth Bank Officers Superannuation Corporation Pty Ltd as trustee of the Officers' Superannuation Fund rebranded and changed its name to Commonwealth Bank Officers Superannuation Corporation Pty Ltd as trustee for Commonwealth Bank Group Super. There was no change in beneficial ownership or to the trustee company.

### Note 31. Company Information

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

Perth Airport Pty Ltd  
Level 2, 2 George Wiencke Drive  
Perth Airport, WA 6105

## DIRECTORS' DECLARATION

In accordance with a resolution of directors of Perth Airport Pty Ltd, I state that:

1. In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and the Group are in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the financial position of the Company's and Group's financial position As at 30 June 2012 and of their performance 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 statements and notes also comply 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 on 29 August 2012.



David Crawford

CHAIRMAN

Perth, Western Australia

30 August 2012





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## Independent audit report to members of Perth Airport Pty Ltd

### Report on the financial report

We have audited the accompanying financial report of Perth Airport Pty Ltd, which comprises the consolidated statement of financial position As at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

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

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers 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.



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### Independence

In conducting our audit we have complied with 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.

### Opinion

In our opinion:

- a. the financial report of Perth Airport Pty Ltd is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Ernst & Young

Ernst & Young

R Kirkby

PARTNER

Perth

30 August 2012

## REVIEW OF OPERATIONS

Operating profit before tax for the year ended 30 June 2012 was \$433.9m. This was an increase of \$353.2m from the prior year profit of \$80.6m.

The core underlying business grew strongly in the year ended 30 June 2012, which is reflected by the increase in total revenue from continuing operations of 14.5% from \$300.8m in the prior year to \$344.4m.

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") was \$603.8m for the year, an increase of \$412.6m from prior year amount of \$191.2m. EBITDA includes the independent valuation of PAPL's investment property portfolio, which recorded a valuation increment of \$377.5m in the current year compared to a revaluation decrement of \$4.7m in the prior year.

Removing the impact of investment property valuations from EBITDA, underlying earnings increased by 15.6% or \$30.4m from \$195.9m to \$226.3m.

Revenue from aeronautical activities was \$120m, an increase of \$17.5m or 17.1% from the prior year. This was due to continued strong growth in both domestic and international passengers.

Revenue from trading and ground transport activities was \$112.9m, an increase of \$14.6m or 14.8% from the prior year. This was contributed 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 \$59.4m, an increase of \$4.5m or 8.1% from prior year. The increase was mainly due to rental income from market reviews, lease renewals and minor tenant expansions. The capital site lease receipts were \$18.4m, an increase of \$6.8m during the year compared to \$11.6m in the prior year.

Income from recharged property services was \$34m, an increase of \$1.7m or 5.1% compared to the prior year. This was mainly due to increases in the recharge of council rates due to a revaluation of the gross rental value (GRV).

Total operating expenses for the year was \$118m, an increase of 12.5% from the prior amount of \$104.9m.

Services and utilities expenses and recharged expenses totalled \$64.7m for the year, an increase of \$6.7m or 11.5% over the previous year. This was mainly due to increased electricity charges and council rates, as well as an increase in security recharged expenses due to the continued growth of passengers.

Employee expenses for the year were \$30.6m, an increase of \$3.1m or 11.3% from the prior year. This increase reflects the employment of additional staff across all business units to properly resource the increased level of activity throughout the airport.

General administration expenses of \$15.9m increased by \$2.5m, or 18.8% from the prior year, reflecting an increase in office overheads and maintenance expenses.

## CORPORATE DIRECTORY

### **PERTH AIRPORT PTY LTD**

ABN 24 077 153 130

ACN 077 153 130

### **REGISTERED OFFICE**

Perth Airport Pty Ltd

Level 2, 2 George Wiencke Drive

Perth Airport WA 6105

### **MAIL**

Perth Airport Pty Ltd

PO Box 6 Cloverdale WA 6985

### **CONTACT DETAILS**

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We would like to acknowledge and thank the persons, companies and organisations, together with their staff who participated in the photography for this year's annual report.









PERTH  
AIRPORT

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