PERTH AIRPORT

PERTH AIRPORT ANNUAL REPORT 2014

2014


$1B
BILLION
REDEVELOPMENT
UNDERWAY
$14M
MILLION
PASSENGERS
IN FY14

Contents

ABOUT THIS ANNUAL REPORT 2014

This report is one of three published reports covering the company's activities during the 2013/14 financial year.

It is structured to respond to the company's corporate objectives to demonstrate progress and to accurately reflect achievements during the 2013/14 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

CHAIRMAN'S REVIEW

MR DAVID CRAWFORD
CHAIRMAN
PERTH AIRPORT PTY LTD

During the year ended 30 June 2014, Perth Airport Pty Ltd continued to provide safe and reliable airport services and delivered satisfactory returns to our shareholders, while also reaching important milestones in our significant capital expenditure program.

As the owner of Perth Airport, under a long-term lease from the Commonwealth, our company is custodian of infrastructure that is critical for Western Australia. Much of our economic, social and cultural activity of our State depends on commercial aviation due to the vast distances between communities in our State and beyond within Australia, and also because of the remote location of industry that underpins our economy.

During the year, the rate of growth in demand for Perth Airport services slowed substantially with total passenger movements increasing by 2.2%, while domestic passenger movements contracted by 0.6% and aircraft movements declined by 1%. This is the first time in 12 years that domestic passengers and aircraft movements at Perth Airport have declined year on year.

By the end of the year, we had reached the final stages of our current capital expenditure program which has involved completing or commencing over $1.1 billion in capital works during the past six years, including 92 separate projects each exceeding $5 million in value. Together, these projects are transforming customer service at Perth Airport while also providing capacity for future growth.

We have been disappointed by program delays on three of our terminal projects; these projects are now expected to be completed during 2015.

Planning and design work also continued which is expected to see a further $1 billion in projects commence during the balance of the decade.

Having a clear long term vision and plans are critical ingredients for successful large airports. During the year, our company released its Ultimate Vision for the Airport Central Precinct. The Vision is the outcome of very detailed long term planning for all the products and services that Perth Airport offers, including aviation, ground transport, retail and property services. The Vision and its associated planning contribute to ensuring that our infrastructure investments support sustainable growth and consistent achievement of service standards.

The Vision also underpins the Master Plan that our company updates every five years consistent with the *Airports Act 1996*.

The Master Plan takes into account input from all stakeholders who seek to offer their views on the draft Plan, which was released for public comment in June 2014.

During the year, there were further changes to the company's Board of Directors reflecting the need to ensure the Board has suitable skills and experience to guide the company through this period of change.

Mr Steven Fitzgerald, who joined the Board, has extensive experience in Airport management gained in Australia, New Zealand and Europe, as well as experience in other infrastructure sectors. Mr Clive Appleton, who also joined the Board, has extensive management and Board experience in retail and commercial property.

Our company's financial performance continued to support satisfactory returns for our shareholders, who in the main invest on behalf of Australian superannuants and the Australian public through the Future Fund's investment in our company.

It is important to note that no State or Commonwealth Government funds are contributed to the development of Perth Airport; Government funding ended with the privatisation of Perth Airport in 1997.

At a time when Commonwealth and State Governments are facing fiscal pressures, while also being required to invest in core public services such as health and education, it is pleasing that economic regulation relevant to Australia's largest airports is providing the basis for continuing large scale investment of private funds at those airports, including Perth Airport.

The stable returns we are delivering to shareholders are providing the basis for our access to the equity and debt funds we require to continue with the substantial investments our company is making.

The company's Net Profit After Tax was $7 million, Earnings Before Interest Tax Depreciation and Amortisation was $227.7 million and the company invested $273.1 million in new infrastructure during the year.

During the year construction of the *Gateway WA* road project was substantially progressed. *Gateway WA* is jointly funded by the State and Commonwealth Governments; it will address the congestion that impedes access to Perth Airport during the morning and evening metropolitan peak hours. Perth Airport has also commenced significant on-airport road construction to compliment *Gateway WA*. The completion of these projects in 2015 will transform access to Perth Airport and eliminate congestion on neighbouring arterial roads.

We were also pleased with the announcement by the WA State Government that it plans to construct a new rail line connecting Perth Airport into the city's rail network.

Public transport to Perth Airport is currently poor and we commend the Government for its decision to proceed with this historic transport project. During the year, Perth Airport continued our joint planning with the Public Transport Authority to ensure the new rail link and Perth Airport infrastructure design are integrated to deliver a high quality airport rail service, and to ensure that during the rail construction phase risks are managed and customer service is not compromised.

During the year, our company continued to work closely with the WA State Government and Tourism WA to expand the international air services which support the State's economy. Pleasing outcomes from this collaboration included the entrance of Scoot, a new low cost airline providing services to Singapore, announcement by Etihad that it will commence daily services connecting through Abu Dhabi to their extensive global network, and Air New Zealand's seasonal services to Christchurch.

While providing important services to most communities in WA, Perth Airport has a close physical connection to numerous communities near the airport. Those communities are well served by their local councils that engage with Perth Airport to ensure that our operations and plans take into account the interests and concerns of local communities.

We are particularly appreciative of the work of the Perth Airports' Municipalities Group which provides ongoing input and advice to Perth Airport on behalf of their communities.

During the year, Perth Airport made submissions to the WA Government's Local Government reform processes. Perth Airport currently falls within the boundaries of three local governments which is inappropriate and simply reflects that local government boundaries have not materially changed for many decades despite the vast changes that have unfolded within the Perth Metropolitan region. The need to reform Local Government boundaries does not call into question the commitment and achievements councillors and staff who serve their communities; it simply reflects that as the city grows, changes to boundaries of local governments is in the public interest.

It is important that I highlight the very substantial contribution made during the year by our team of employees; they continued to deliver our corporate objectives of safety, reliability, and improving customer service and shareholder value.

The moderation of the rate of growth in demand for Perth Airport's services during the year was expected as the State's resources sector completed many of its large capacity expansion investments. Taken together, these investments have been unprecedented in their scale and they result in a significantly larger resource sector that depends on Perth Airport's services to support their remote operations.

Despite the slowing in demand, the long lead nature of large airport infrastructure means that Perth Airport must "look through the cycle" and continue with our investment plans to ensure timely delivery of aviation capacity to support the State's economy. It is also important that other aviation industry participants and all tiers of government support our development plans.

We look forward to continuing to work closely with airlines, Airservices Australia, governments and other important stakeholders to ensure that we achieve our objectives of safety, reliability, customer service and improving shareholder value.

CHIEF EXECUTIVE OFFICER'S REVIEW

MR BRAD GEATCHES
CHIEF EXECUTIVE OFFICER
PERTH AIRPORT

Brad Geatches

The year ending 30 June 2014 was a successful one for Perth Airport Pty Ltd - we continued to provide safe, reliable and improving airport services for airlines, visitors and the public of Western Australia. We also achieved good financial results for our shareholders.

We made important progress with our transformational capital expenditure program and substantially progressed planning and design for further major investments likely to exceed $1 billion in value during the balance of the decade.

We also released our Ultimate Vision for Perth Airport's long term sustainable development as we strive to achieve our company's Vision *"to be an outstanding airport business providing great customer service"*.

We apply significant resources and work closely with our airport community, suppliers and government agencies to ensure employee and public safety. There were no significant employee or public safety incidents at Perth Airport during the year.

INTERNATIONAL MARKETS

Western Australians continued to benefit from expansion of international services at Perth Airport and the strong competition between international airlines, which is providing attractive airfares. These factors contributed to international passenger growth of 9.4% during the year.

During the year, we continued to invest in aviation business development activities, seeking to attract new airlines to commence services to Perth and our existing airlines to increase service frequency in underserved markets.

These activities contributed to a 13.9% increase in international seat capacity and two new destinations being announced or commenced (Abu Dhabi by Etihad and Christchurch by Air New Zealand).

DOMESTIC MARKETS

Both interstate and intra-WA passenger movements contracted by less than 1% for the year, while domestic seat capacity increased by 3.9%. The contraction in passengers reflected the slowing in the rate of growth of the WA economy and reduced air services activity servicing the resource sector.

By the end of the year, the unprecedented level of construction activity in the resources sector had peaked and started to decline resulting in lower demand for air services to deploy construction workforces (both within WA and from other states). At the same time, operating workforces are being increased to bring the expanded facilities into production.

Intense competition between domestic airlines continued during the year, with Qantas, Virgin Australia and Tiger each advising of difficult trading conditions nationally contributing to financial losses.

CAPACITY AND CUSTOMER SERVICE

Our new Terminal 2 completed its first full year of operation during the year. Feedback from airlines and passengers confirms that the new terminal is providing a great level of service and has contributed to improved safety and operating efficiency.

Three of our projects in Terminal 1, which are under construction, have not proceeded to their original program. We have taken action to address deficiencies in project performance and they are now expected to be completed during 2015.

The levels of service in Terminal 3 (next to Qantas Terminal 4) continued to improve with investments being made to enhance and expand the terminal.

The substantial investments being made in aircraft taxiways and parking, combined with the introduction of airline schedule coordination and other initiatives by airlines and Airservices Australia, have combined to substantially reduce delays, with Perth Airport achieving greatly improved on-time performance during the year.

Significant investments also continue to be made in road and parking facilities. We have worked closely with the Gateway WA Alliance to support construction of the WA Government's $1.1 billion road project and to integrate the *Gateway WA* interchanges with our on-airport roads. *Gateway WA* and Perth Airport's road projects are expected to be completed in 2015 and, together, they will transform access to the airport.

While having physical infrastructure of the right quality and capacity is important to deliver good customer service, we recognise that how customers are treated and the information they receive during their time at Perth Airport is just as important.

During the year, we substantially progressed our enhanced Customer Service Framework, which includes defining the level of service we are committed to achieve at each of the many touch points for passengers and visitors who use our various services. We are making significant investments in new technology and training to deliver a greatly improved experience.

During the year we continued to provide commercial and industrial property services to many companies. Perth Airport's proximity to the city's main rail freight hub, the Kewdale Industrial zone and the strong connections to the Port of Fremantle, contribute to the airport being a preferred location for transport and logistics companies and those servicing the State's resource sector. The co-location 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.

SUSTAINABLE DEVELOPMENT

In June 2014, the Perth Airport Draft Master Plan was released for public comment and, following our consideration of public input, will be submitted to the Commonwealth Minister for Infrastructure for approval in November 2014.

Perth Airport devotes significant effort to conserving areas of high environmental value and Indigenous heritage significance that exist within the airport estate and to managing the environmental impact of our operations. We also work closely with our tenants, assisting them with their environmental management.

CHIEF EXECUTIVE OFFICER'S REVIEW

Our approach to environmental management is described in our Environment Strategy, which forms part of the 2015 Master Plan 2014.

OUR PEOPLE AND COMMUNITY

During the year, we continued to expand our outreach program, providing support to more than 60 organisations and groups who are working to improve quality of life in their communities. While we support many causes, a focus of our outreach is youth who are disadvantaged and in need of support.

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

%2.2

INCREASE IN TOTAL PASSENGER NUMBERS

%9.4

INTERNATIONAL PASSENGER TRAVEL

BOARD OF DIRECTORS

BOARD OF DIRECTORS

MR DAVID CRAWFORD (CHAIRMAN)

BCOM (HONS), MA (POL SC)

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

MR CLIVE APPLETON

BEc, MBA, FAICD

Mr Appleton joined the Board as Non-Executive Director in February 2014. Mr Appleton has over 30 years' experience in retail property and funds management. Mr Appleton is a Non-Executive Director of APN Property Group Limited, The Gandel Group Pty Ltd, Arrow International Group Limited, Federation Centres Limited and Aspen Group Limited. He is also council member of the Cairnmillar Institute.

Mr Appleton was Chief Executive Officer of Jennings Properties Limited (now Federation Centres) for 10 years until 1996 before becoming Managing Director of Gandel Management Limited. He was also the Chairman of AG Coombs.

MR COLIN ATKIN

MBA, GAICD

Mr Atkin joined Hastings in 2008 and was appointed as a Non-Executive Director of Perth Airport in July 2013. He has over 20 years of domestic and international markets experience including extensive experience focused on the infrastructure and utilities sectors. He is Chief Executive Officer of the Utilities Trust of Australia and is a member of Hastings' operating committees including the Equity Investment Committee. Until recently, Mr Atkin was Chief Executive Officer of Hastings Diversified Utilities Fund (HDF), which he led and managed through a recent successful sale. In addition to his role as Chief Executive Officer of HDF, Mr Atkin's responsibilities have included Directorships and implementation of strategies at a number of Hastings investee companies. Prior to joining Hastings, he spent seven years with the international credit rating agency Standard & Poor's culminating in his tenure as a Director of Fund Ratings and a Director within the Corporate and Infrastructure Credit Rating Group. Before joining Standard & Poor's, Mr Atkin worked for Dresdner Kleinwort Wasserstein in the European investment banking and debt capital market division.

BOARD OF DIRECTORS

MR ALAN DUNDAS

BE (HONS), GAICD

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

MR STEVEN FITZGERALD

B EC

Mr Fitzgerald is Head of Asset Management at HRL Morrison & Co and was appointed as a Non-Executive Director of the Board in February 2014. He is also a Director of Perth Energy Pty Ltd and Wellington International Airport Limited. Mr Fitzgerald has over 20 years of experience in the Airport sector with roles in the Australian Government during airport privatisations and holding Executive and Non-Executive positions in Australian, New Zealand and European Airports. Mr Fitzgerald was previously Chief Executive Officer of Wellington International Airport in New Zealand and Chairman and Chief Executive of Infratil Airports Europe.
During seven years at Sydney Airport, Mr Fitzgerald held the roles of General Manager Airport Operations, Head of Commercial Trading and Manager Economics.

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. Richard has over 20 years' of experience in the finance industry and is Chair of the Hastings Equity Investment Committee.
From May 2013 Mr Hoskings became responsible for leading Hastings equity asset management activities globally. Prior to this role, he was the Chief Executive Officer of the Utilities Trust of Australia. Prior to joining Hastings, Mr Hoskings 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.

MS WENDY NORRIS

BAPPSC, GRADDIPMGT, GAICD

Ms Norris was appointed as a Non-Executive Director of the Board in July 2013. Ms Norris has been a Director of Infrastructure and Timberland at the Future Fund since 2010.
She was previously an Investment Director with Hastings Funds Management in the United States and in Melbourne where she was responsible for managing infrastructure investments in Australia, the UK and the US.
Prior to that, Ms Norris worked in Project Finance at ABN AMRO in the United States and in Sydney.

MR LYNDON ROWE

B EC (HONS)

Mr Rowe joined the Board as a Non-Executive Director in August 2004. Mr Rowe is the Chairman of Electricity Generation and Retail Corporation (trading as Synergy). He is also the former Executive Chairman of the WA Economic Regulation Authority (2004-2014) and Chief Executive of the Chamber of Commerce and Industry of WA, a position he held from 1992 to 2004. In addition, Mr Rowe has been a member of the University of Western Australia Senate (2000-2012) and a Director of Westscheme Pty Ltd.

MS SHIRLEY IN'TVELD

BCOMM LLB (HONS)

Shirley In'tVeld was the Managing Director of Verve Energy, Western Australia's biggest electricity generator, for five years. Prior to this, she held a number of senior legal, commercial and marketing positions with Alcoa, WMC Resources Ltd, Bond Corporation and BankWest, including Managing Director of Alcoa of Australia Rolled Products based in Geelong. Ms In'tveld is currently a director of Asciano Ltd, the CSIRO, Duet Company Limited, Juniper (Uniting Church Aged Care Provider) and is a Council member of the SMART Infrastructure Facility (University of Wollongong) and the Australian Institute of Company Directors (WA). She is also chairman of Asciano's Sustainability Committee.

EXECUTIVE TEAM

01. BRAD GEATCHES
CHIEF EXECUTIVE OFFICER

02. TONY BRUN
EXECUTIVE GENERAL MANAGER INTEGRATED PLANNING

03. ROWAN CHALMERS
EXECUTIVE GENERAL MANAGER OPERATIONS AND CUSTOMER EXPERIENCE

04. STEVEN HOLDEN
EXECUTIVE GENERAL MANAGER PROPERTY

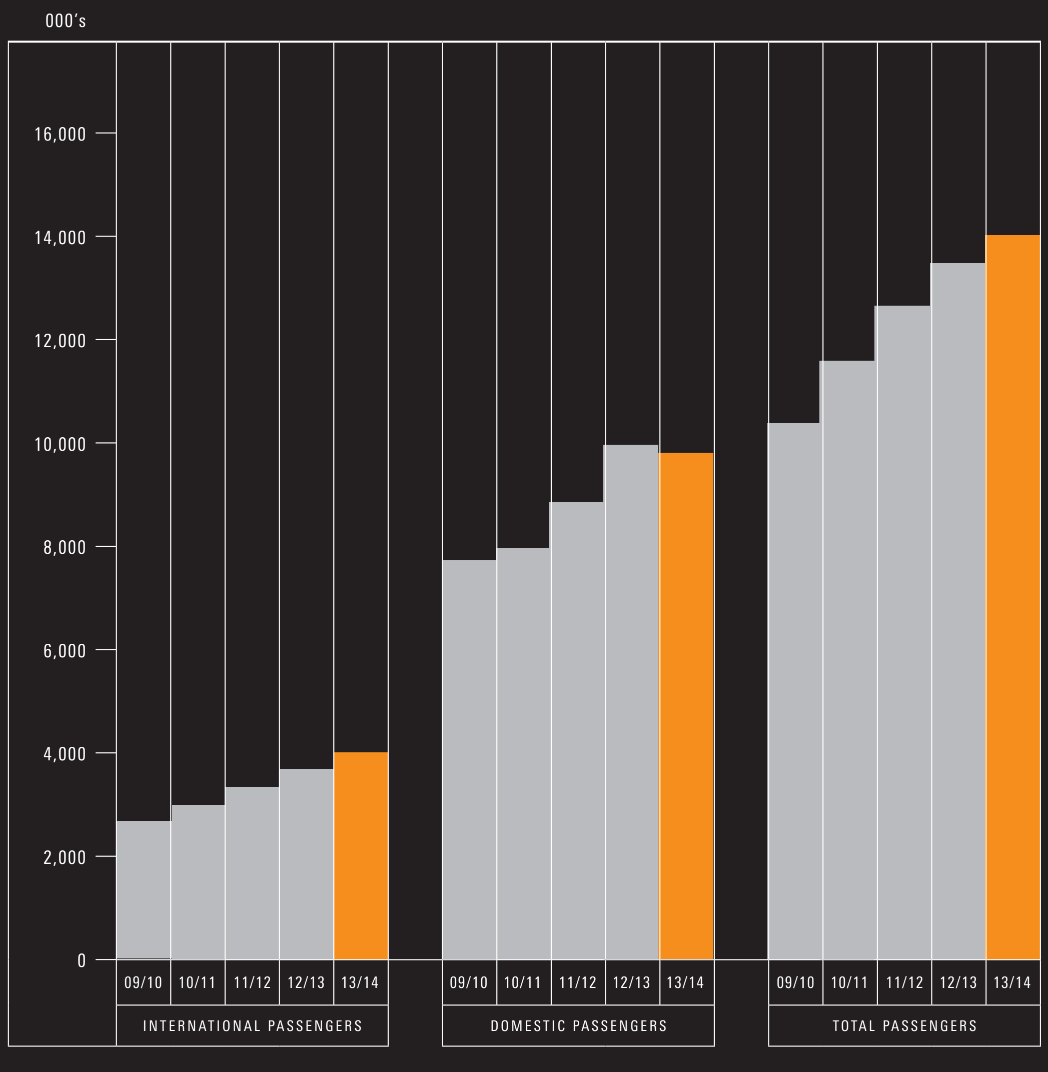
05. VICTOR HOWARD
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

06. FIONA LANDER
EXECUTIVE GENERAL MANAGER CORPORATE AFFAIRS AND ORGANISATION DEVELOPMENT

07. SCOTT NORRIS
EXECUTIVE GENERAL MANAGER COMMERCIAL SERVICES

08. GUY THOMPSON
EXECUTIVE GENERAL MANAGER ASSETS AND CAPITAL WORKS

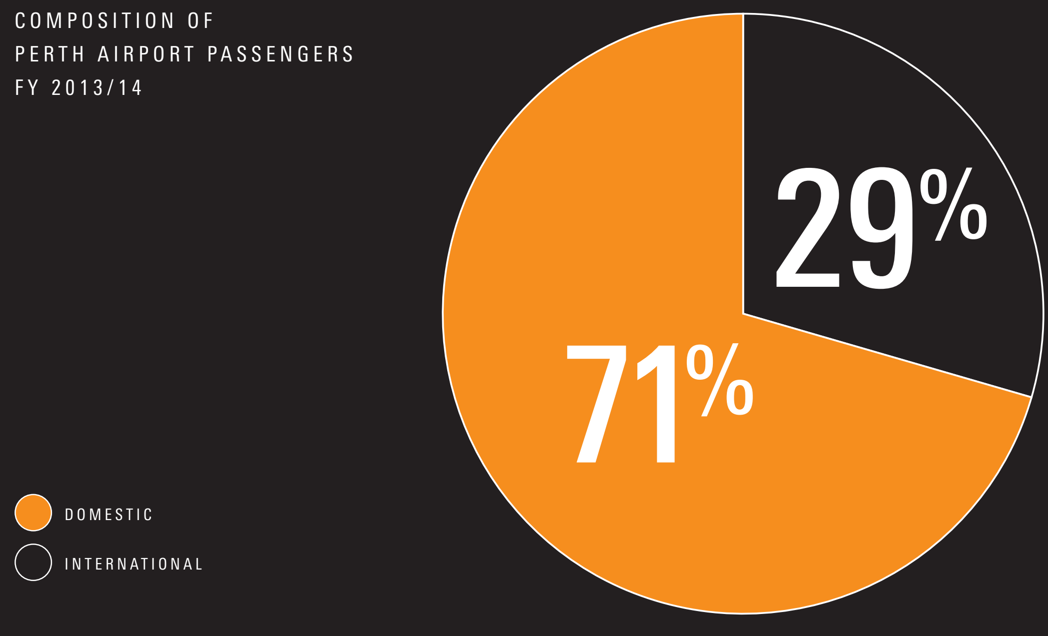
FIVE YEAR COMPARISON FOR INTERNATIONAL AND DOMESTIC PASSENGERS



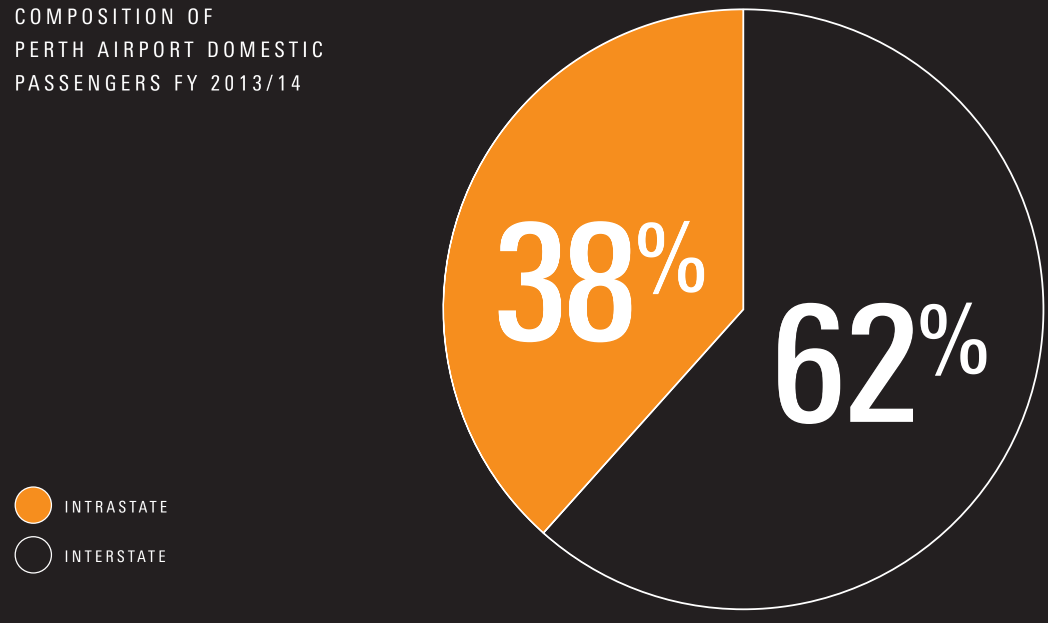
INTERNATIONAL PASSENGERS		CHANGE		DOMESTIC PASSENGERS		CHANGE	
09/10	2,993,874	375,136	14.3%	09/10	7,470,097	353,762	5.0%
10/11	3,265,581	271,707	9.1%	10/11	8,185,872	715,775	9.6%
11/12	3,492,160	226,579	6.9%	11/12	9,140,640	954,768	11.7%
12/13	3,763,667	271,509	7.8%	12/13	9,900,727	760,087	8.3%
13/14	4,118,239	354,572	9.4%	13/14	9,843,341	-57,386	-0.6%

PASSENGER STATISTICS

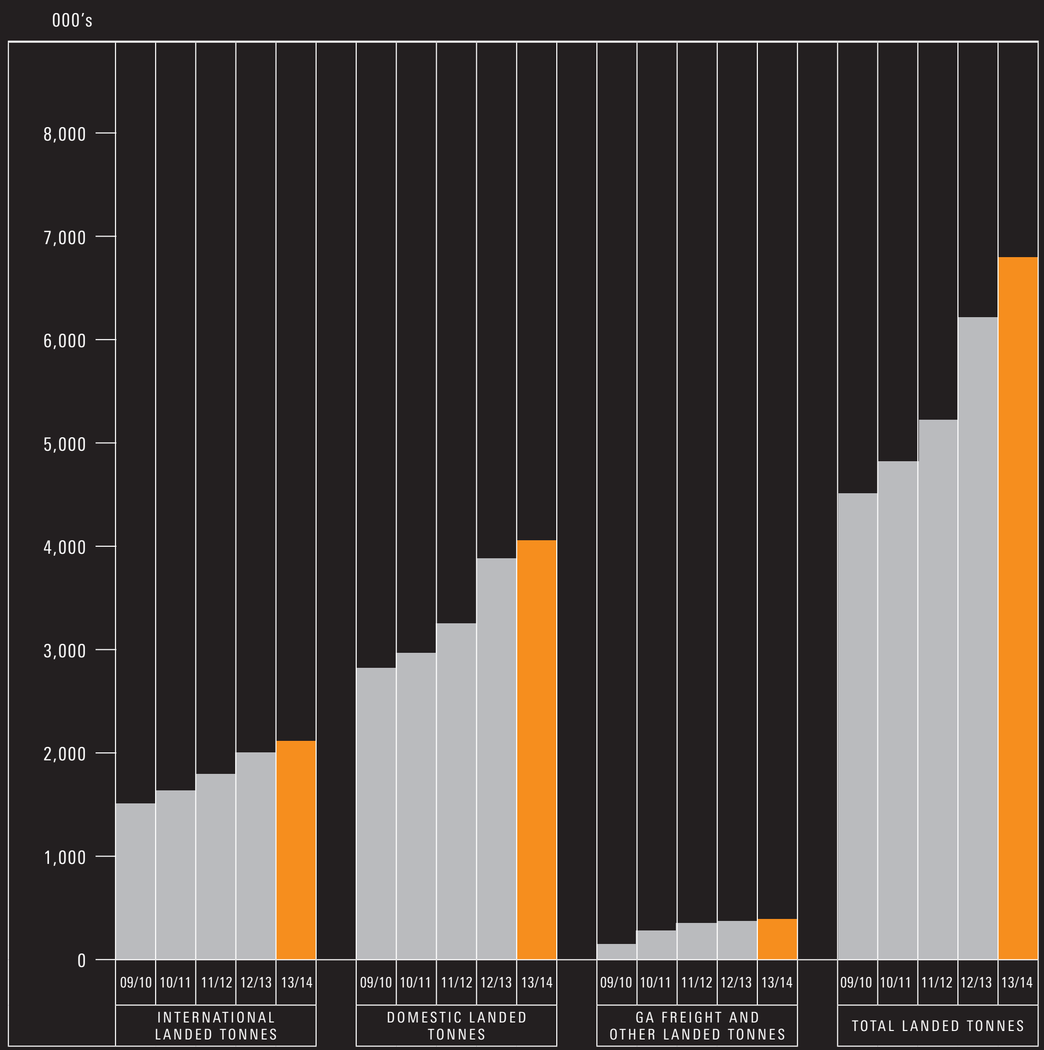
COMPOSITION OF
PERTH AIRPORT PASSENGERS
FY 2013/14



COMPOSITION OF
PERTH AIRPORT DOMESTIC
PASSENGERS FY 2013/14

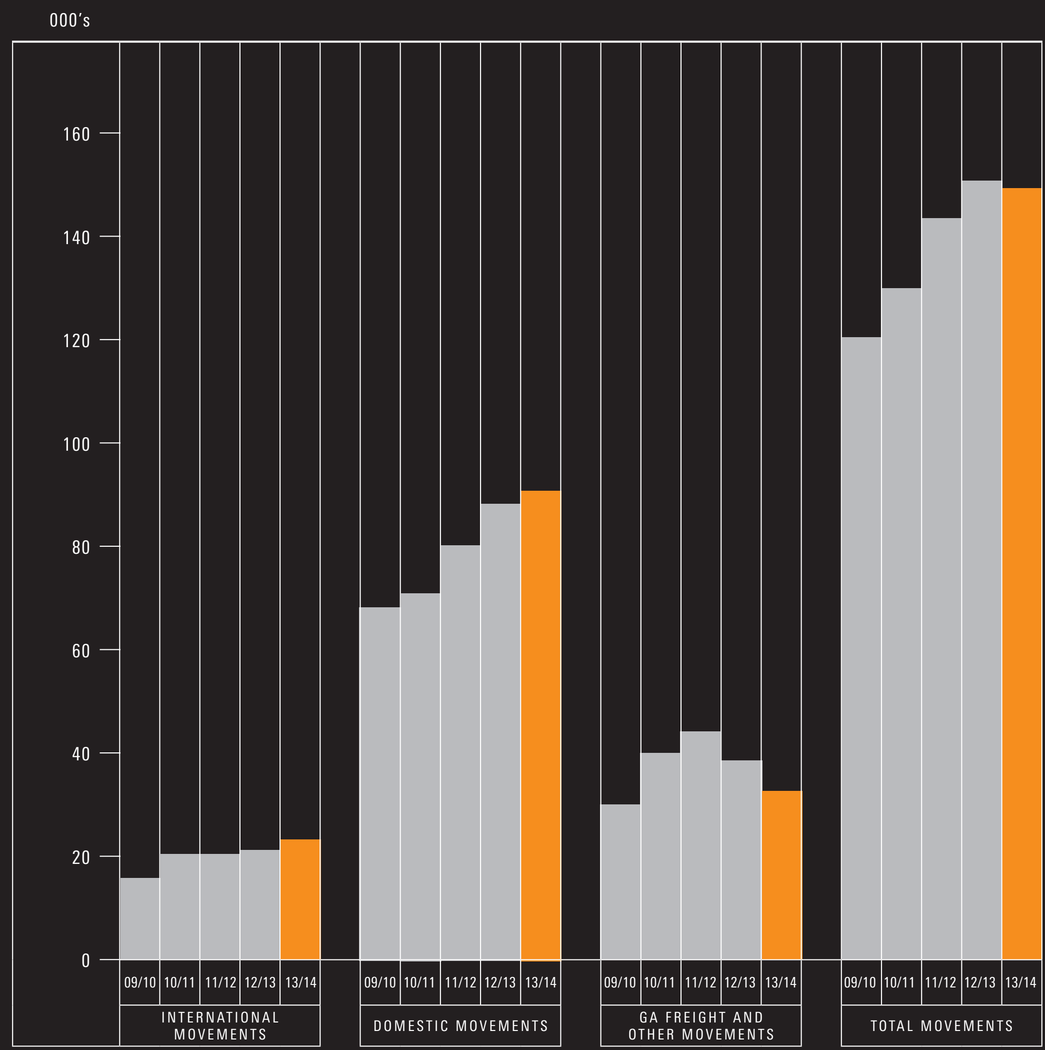


FIVE YEAR COMPARISON FOR TOTAL LANDED TONNES



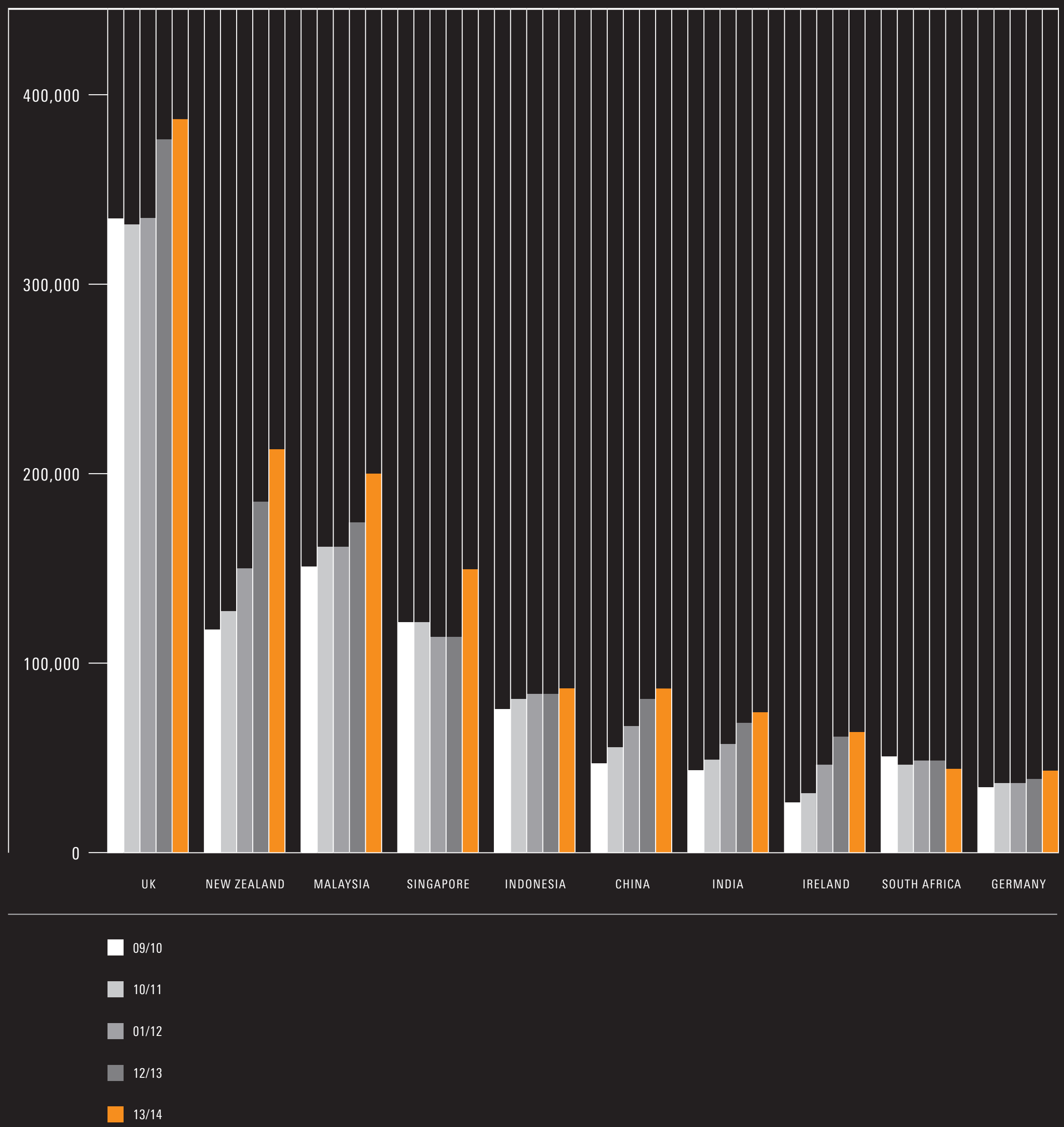
INTERNATIONAL LANDED TONNES		CHANGE		DOMESTIC LANDED TONNES		CHANGE		GA FREIGHT AND OTHER LANDED TONNES		CHANGE	
09/10	1,535,454	143,831	10.3%	09/10	2,652,494	114,951	4.5%	09/10	299,213	-21,451	-6.7%
10/11	1,618,953	83,499	5.4%	10/11	2,852,112	199,618	7.5%	10/11	383,517	84,304	28.2%
11/12	1,653,302	34,349	2.1%	11/12	3,330,467	478,355	16.8%	11/12	447,505	63,988	16.7%
12/13	1,944,243	290,941	17.6%	12/13	3,864,205	533,738	16.0%	12/13	476,007	28,502	6.4%
13/14	2,141,508	197,265	10.1%	13/14	4,085,950	221,745	5.7%	13/14	451,243	-24,764	-5.2%

FIVE YEAR COMPARISON FOR TOTAL AIRPORT MOVEMENTS



INTERNATIONAL MOVEMENTS		CHANGE		DOMESTIC MOVEMENTS		CHANGE		GA FREIGHT AND OTHER MOVEMENTS		CHANGE	
09/10	17,420	2,703	18.4%	09/10	69,420	2,899	4.4%	09/10	31,325	-2,767	-8.1%
10/11	18,902	1,482	8.5%	10/11	72,821	3,401	4.9%	10/11	37,343	6,018	19.2%
11/12	19,723	821	4.3%	11/12	80,554	7,733	10.6%	11/12	41,802	4,459	11.9%
12/13	21,167	1,444	7.3%	12/13	89,487	8,933	11.1%	12/13	40,677	-1,125	-2.7%
13/14	24,353	4,630	23.5%	13/14	91,012	10,458	13.0%	13/14	34,316	-6,361	-15.6%

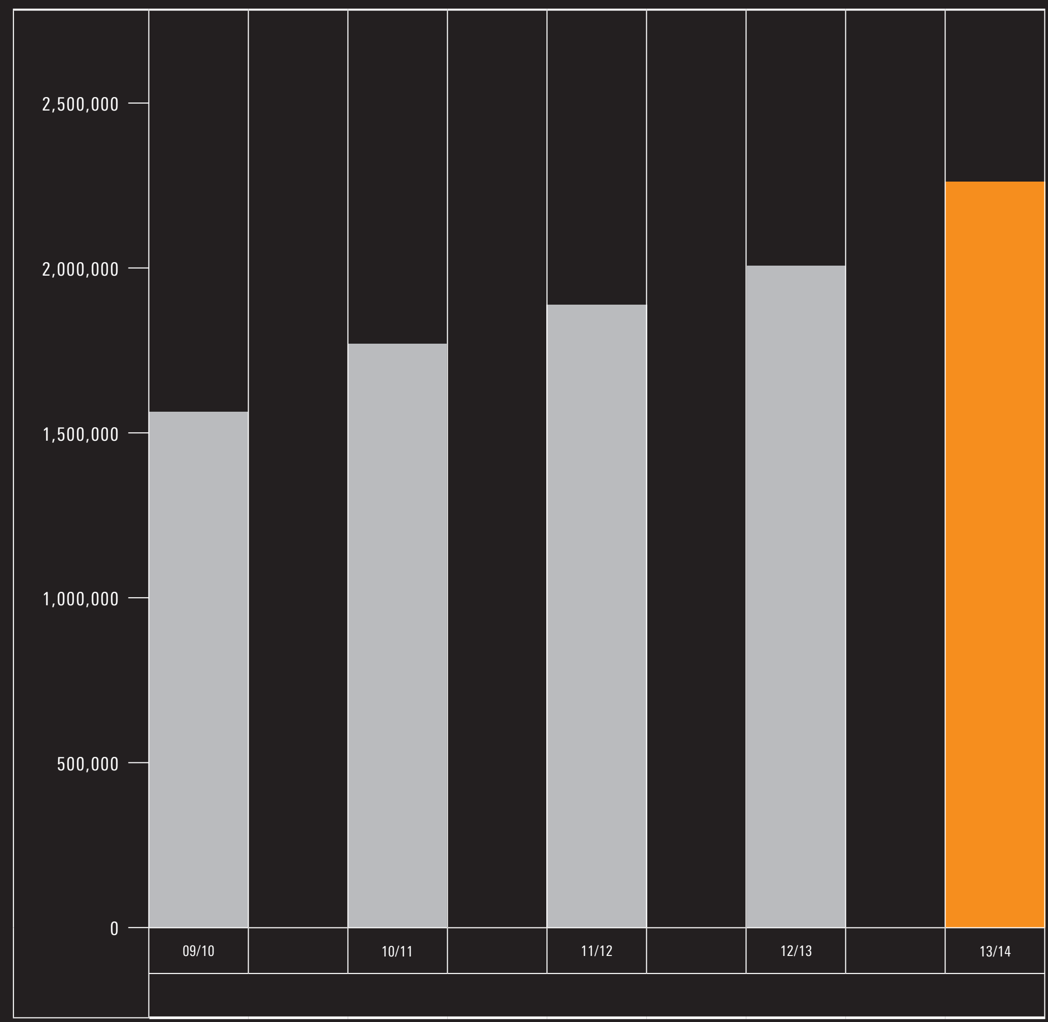
FIVE YEAR COMPARISON FOR TOP TEN FOREIGN NATIONALITY INTERNATIONAL PASSENGERS FOR PERTH AIRPORT



SOURCE: DEPARTMENT OF IMMIGRATION AND BORDER PROTECTION

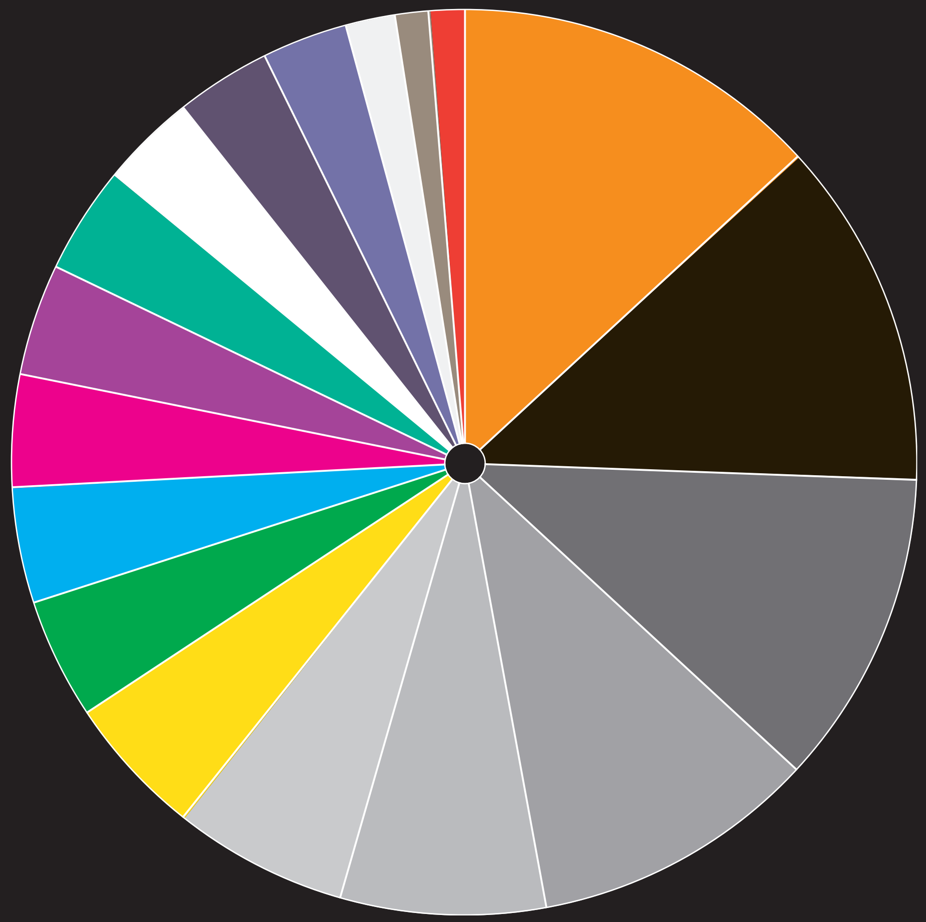
PASSENGER STATISTICS

FIVE YEAR COMPARISON FOR AUSTRALIAN NATIONALITY PASSENGERS FOR PERTH AIRPORT



SOURCE: DEPARTMENT OF IMMIGRATION AND BORDER PROTECTION

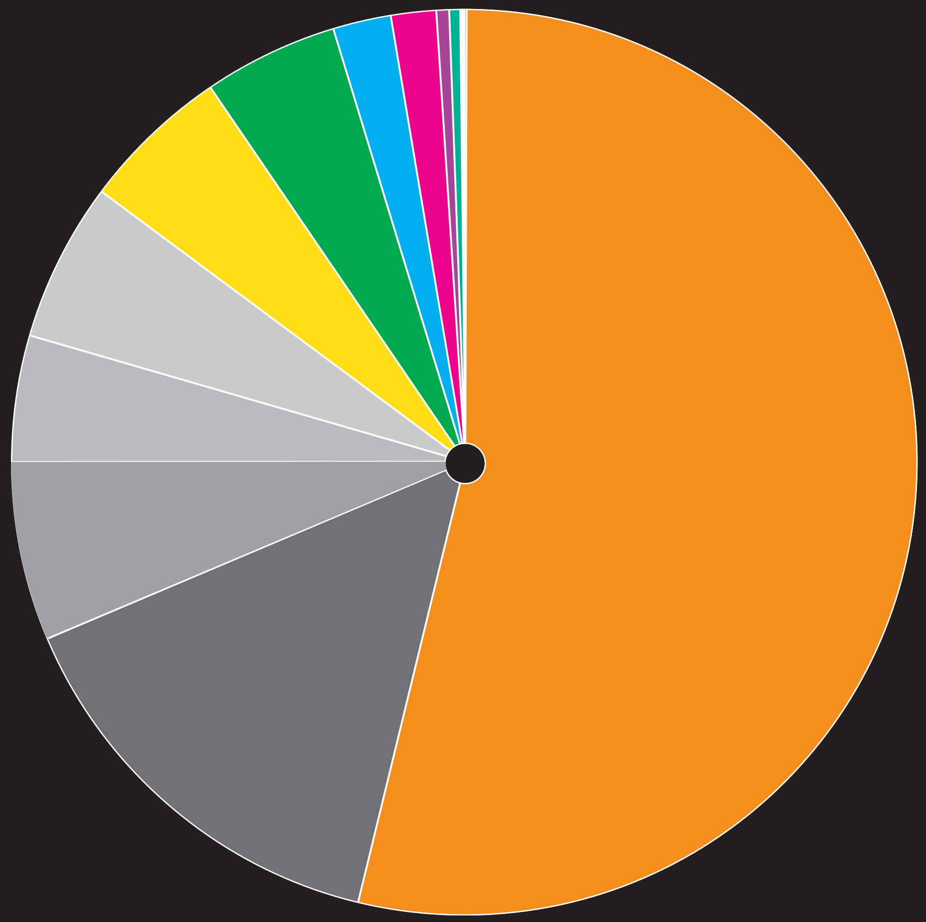
TOTAL INTERNATIONAL PASSENGERS BY AIRLINE FOR PERTH AIRPORT FOR 2013/14



SINGAPORE AIRLINES 13%	VIRGIN AUSTRALIA 4%
EMIRATES 12%	QATAR AIRWAYS 4%
JETSTAR 11%	QANTAS AIRWAYS 4%
INDONESIA AIRASIA 10%	THAI AIRWAYS INTERNATIONAL 3%
AIRASIA X 7%	TIGERAIR SINGAPORE 3%
MALAYSIA AIRLINES 6%	SOUTH AFRICAN AIRWAYS 3%
CATHAY PACIFIC 5%	SCOOT 2%
AIR NEW ZEALAND 4%	AIR MAURITIUS 2%
GARUDA INDONESIA 4%	CHINA SOUTHERN 1%

SOURCE: DEPARTMENT OF IMMIGRATION AND BORDER PROTECTION

TOTAL INTERNATIONAL PASSENGERS BY REGION OF NATIONALITY FOR PERTH AIRPORT FOR 2013/14



AUSTRALIA 54%	MIDDLE EAST 1%
SOUTH EAST ASIA 15%	OTHER 1%
UK & IRELAND 11%	
EUROPE AND FORMER USSR 6%	
NEW ZEALAND 5%	
NORTH EAST ASIA 5%	
AFRICA 2%	
NORTH AMERICA 2%	
SOUTH CENTRAL AMERICA 1%	

SOURCE: DEPARTMENT OF IMMIGRATION AND BORDER PROTECTION

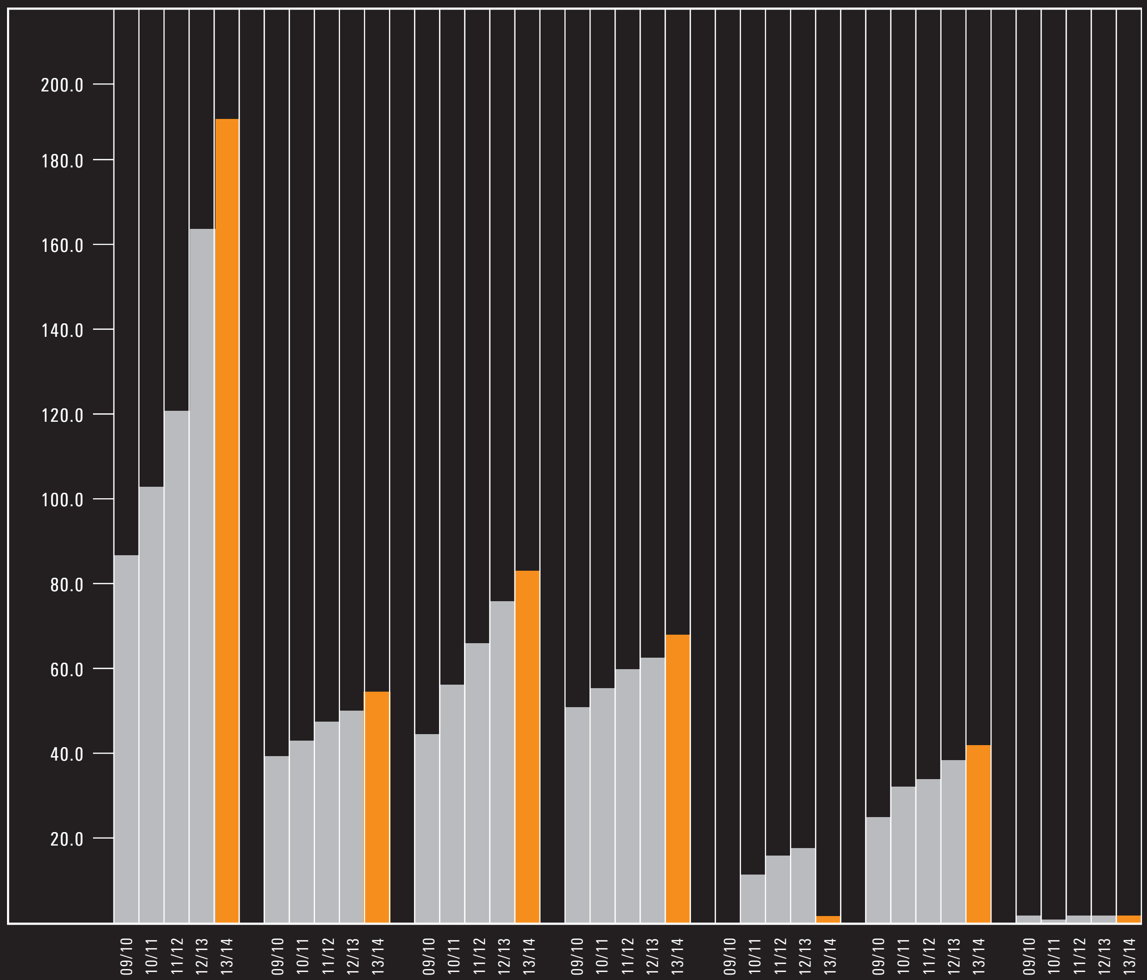
AIRLINE CAPACITY REPORT INTO PERTH FROM LAST PORT - TWO YEAR COMPARISON

PORT	AIRLINE	TOTAL 2013/2014 SEATS	% CHANGE SEATS	TOTAL 2013/2014 AVAILABLE FLIGHTS	% CHANGE FLIGHTS	TOTAL 2012/2013 SEATS	TOTAL 2012/2013 AVAILABLE FLIGHTS
AUCKLAND	Air New Zealand	103,759	3.2%	344	-0.9%	100,570	347
	Qantas	4,079	100.0%	17	100.0%	-	-
BANGKOK / PHUKET	Thai Airways	120,475	13.6%	395	13.2%	106,007	349
COCOS / CHRISTMAS ISLAND	Virgin Australia	25,432	0.6%	205	0.5%	25,268	204
CHRISTCHURCH	Air New Zealand	9,543	100.0%	42	100.0%	-	-
DENPASAR	Indonesia AirAsia	280,440	42.8%	1,558	42.8%	196,380	1,091
	Jetstar	151,048	8.6%	840	8.4%	139,053	775
	Garuda	104,490	-17.6%	645	-17.6%	126,873	783
	Virgin Australia	79,612	-2.3%	452	-2.2%	81,500	462
DOHA	Qatar Airways	106,025	28.5%	365	31.8%	82,504	277
DUBAI	Emirates	364,350	23.4%	1,032	12.1%	295,151	921
GUANGZHOU	China Southern Airlines	34,008	-20.6%	156	-0.6%	42,830	157
HONG KONG	Cathay Pacific	137,531	0.7%	521	1.2%	136,617	515
	Qantas	-	-100.0%	-	-100.0%	32,660	110
JAKARTA	Garuda	50,058	10200.0%	309	10200.0%	486	3
	Jetstar	16,740	-23.8%	93	-23.8%	21,960	122
JOHANNESBURG	South African Airways	98,539	4.0%	365	1.7%	94,732	359
KOTA KINABALU	Malaysia Airlines	14,045	199.6%	87	200.0%	4,688	29
KUALA LUMPUR	AirAsia X	209,118	18.4%	546	18.4%	176,563	461
	Malaysia Airlines	165,272	10.7%	584	11.9%	149,345	522
LOMBOK	Jetstar	28,797	100.0%	160	100.0%	-	-
MANILA	Philippine Airlines	5,148	106.3%	33	106.3%	2,496	16
MAURITIUS	Air Mauritius	37,194	14.6%	135	14.4%	32,450	118
PHUKET	Virgin Australia	44,528	1.6%	253	1.6%	43,828	249
SINGAPORE	Singapore Airlines	387,285	6.3%	1,418	8.0%	364,300	1,313
	Jetstar	113,580	58.9%	631	58.9%	71,460	397
	Tigerair Singapore	95,940	39.5%	533	39.5%	68,760	382
	Scoot	55,074	100.0%	137	100.0%	-	-
	Qantas	88,159	-48.5%	315	-49.1%	171,192	619
TOTAL		2,930,269	14.1%	12,171	15.0%	2,567,673	10,581

FINANCIAL RESULTS SUMMARY

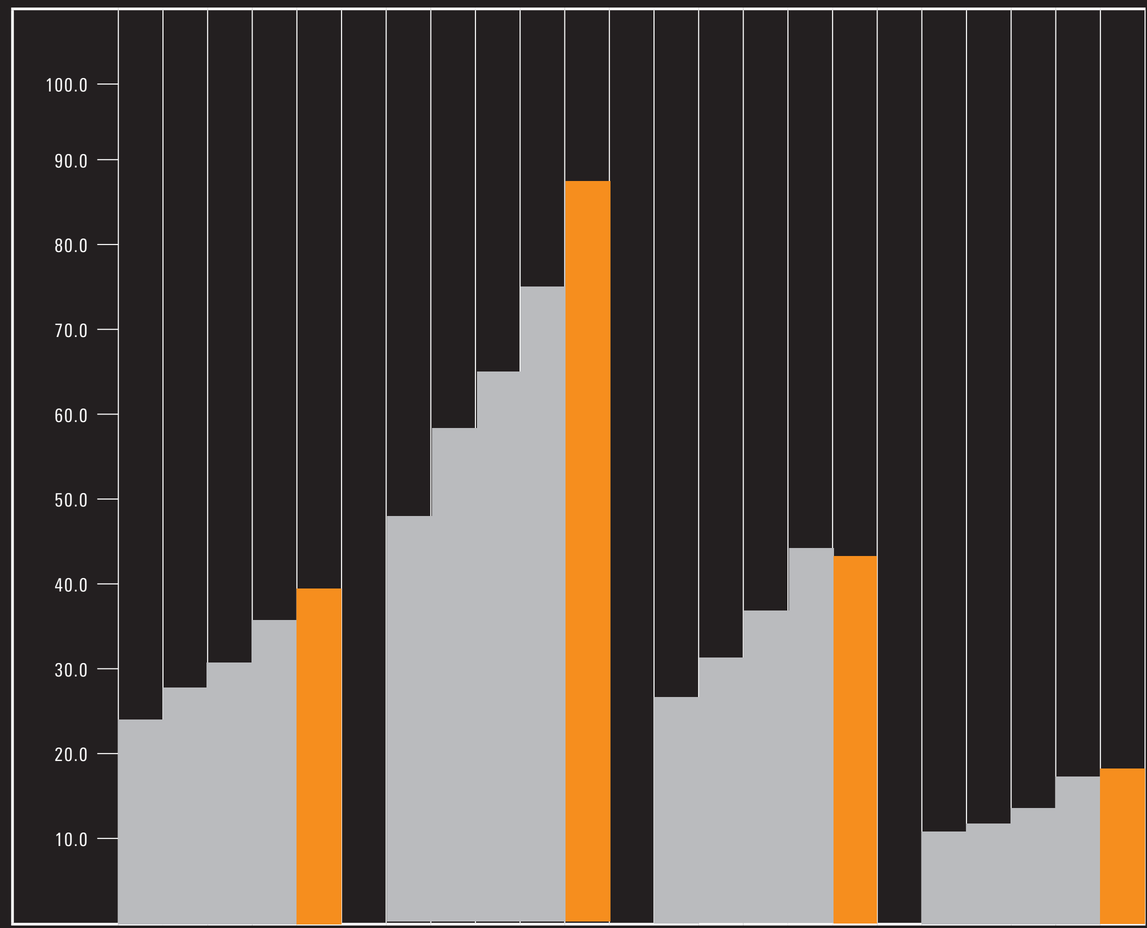
STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014	ACTUAL 13/14 $M	ACTUAL 12/13 $M	ACTUAL 11/12 $M	ACTUAL 10/11 $M	ACTUAL 09/10 $M
REVENUES FROM CONTINUING OPERATIONS EXCLUDING FINANCE REVENUE					
Aeronautical charges	188.1	162.5	120.0	102.5	85.9
Trading revenue	53.8	49.8	47.0	42.7	38.8
Ground transport services	82.2	75.4	65.9	55.6	44.7
Investment property rentals	67.4	62.4	59.4	55.0	50.4
Net gain from premium leasing	1.4	17.8	16.4	11.4	-
Recharge property service costs	41.7	38.0	34.0	32.4	25.1
Other	2.0	2.0	1.7	1.2	1.4
TOTAL REVENUES FROM CONTINUING OPERATIONS EXCLUDING FINANCE REVENUE	436.6	407.9	344.4	300.8	246.3
OTHER (EXPENSE)/INCOME EXCLUDING FINANCE REVENUE					
Fair value adjustment to investment land and buildings	(54.9)	250.4	377.5	(4.7)	1.3
TOTAL OTHER (EXPENSE)/INCOME EXCLUDING FINANCE REVENUE	(54.9)	250.4	377.5	(4.7)	1.3
OPERATING EXPENSES					
Employee expenses	39.4	35.6	30.6	27.5	23.9
Services and utilities	86.8	74.5	64.7	58.1	47.4
General administration and other	19.4	20.0	16.5	14.2	12.0
Leasing and maintenance	8.4	7.9	6.3	5.2	4.9
TOTAL OPERATING EXPENSES	154.0	138.0	118.1	105.0	88.2
EBITDA*	227.7	520.3	603.8	191.1	159.4
FINANCE REVENUE					
Interest revenue	11.3	29.6	4.2	2.9	1.9
TOTAL FINANCE REVENUE	11.3	29.6	4.2	2.9	1.9
NON OPERATING EXPENSES					
Depreciation and amortisation	38.7	37.9	29.8	20.5	19.0
Interest expense					
- Senior debt	88.0	72.7	83.8	80.2	65.4
- Subordinated shareholder loan	14.6	16.1	10.7	11.7	8.7
- Fair value loss on interest rate derivatives	53.1	-	6.2	-	-
- Other	0.8	0.8	0.8	1.0	1.6
- Other borrowing expenses	32.2	41.0	42.88	-	-
TOTAL NON OPERATING EXPENSES	227.4	168.5	174.2	113.4	94.7
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	11.6	381.4	433.8	80.7	66.6

FIVE YEAR COMPARISON FOR OPERATING REVENUE



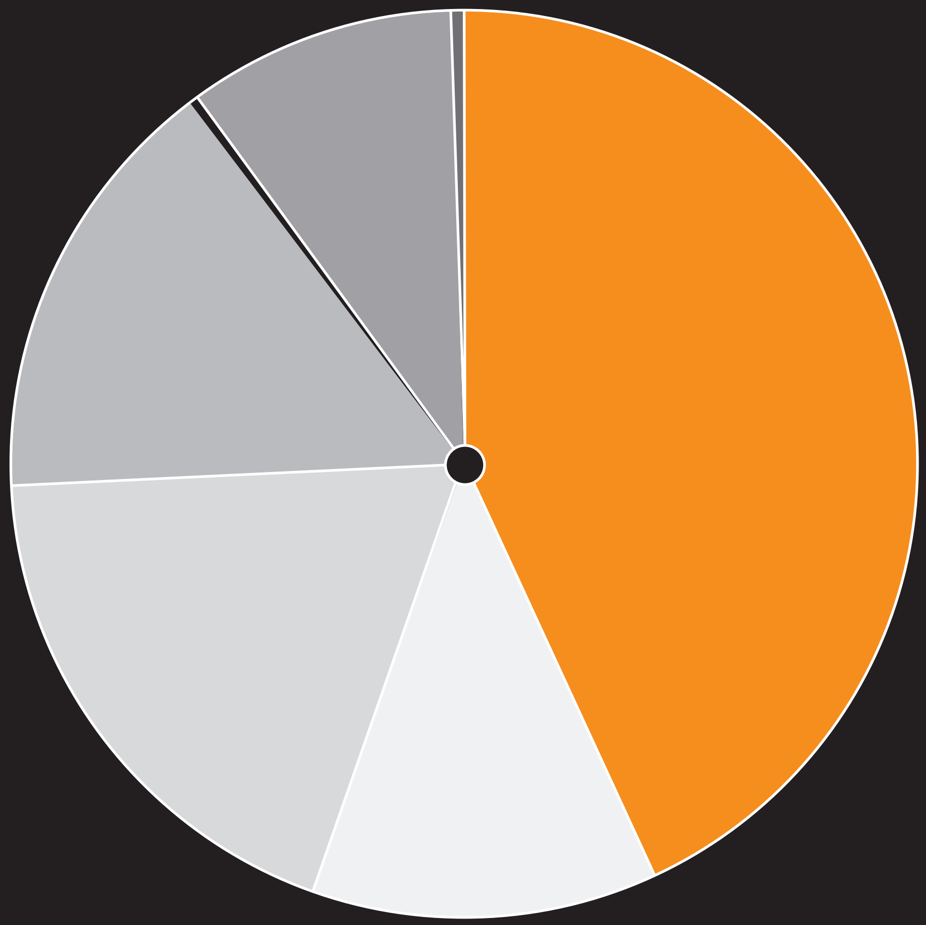
$M	AERONAUTICAL	TRADING	GROUND TRANSPORT	PROPERTY	PREMIUM LEASING	RECHARGE	OTHER
ACTUAL 09/10	85.9	38.8	44.7	50.4	0.0	25.1	1.4
ACTUAL 10/11	102.5	42.7	55.6	55.0	11.4	32.4	1.2
ACTUAL 11/12	120.0	47.0	65.9	59.4	16.4	34.0	1.7
ACTUAL 12/13	162.5	49.8	75.4	62.4	17.8	38.0	2.0
ACTUAL 13/14	188.1	53.8	82.2	67.4	1.4	41.7	2.0

FIVE YEAR COMPARISON FOR OPERATING EXPENSES



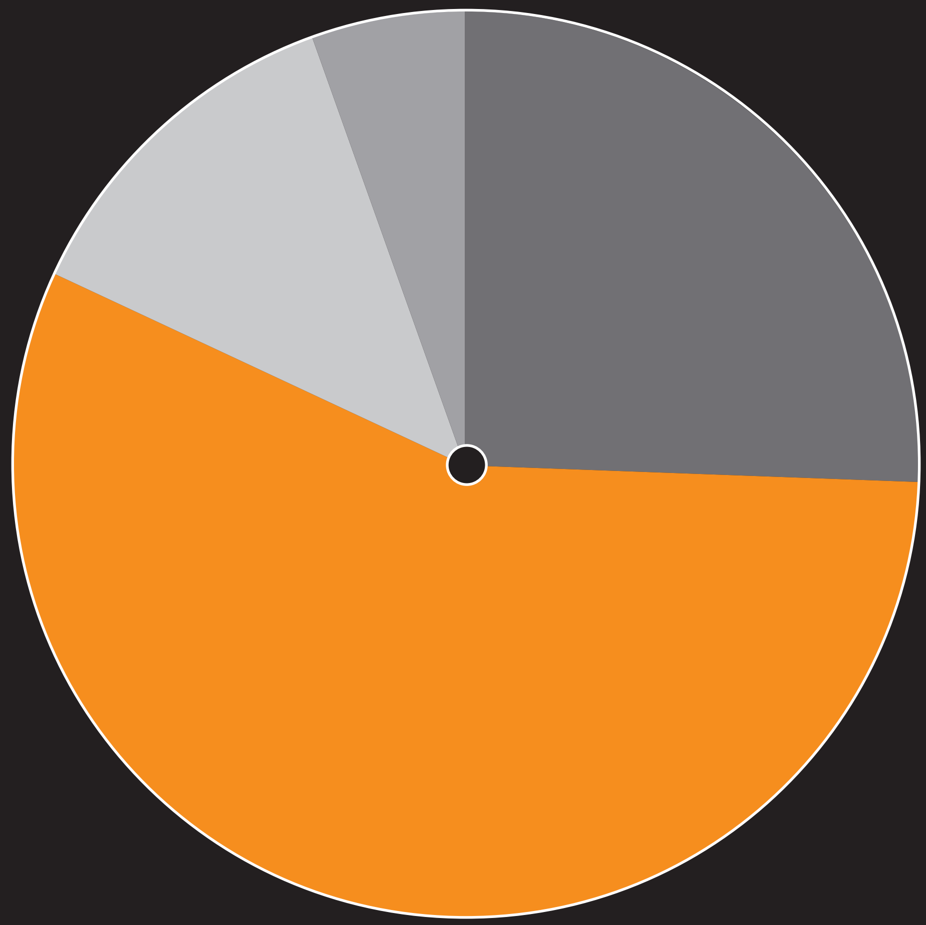
$M	EMPLOYEE EXPENSES	SERVICES AND UTILITIES	GENERAL ADMINISTRATION	MAINTENANCE
ACTUAL 09/10	23.9	47.4	12.0	4.9
ACTUAL 10/11	27.5	58.1	14.2	5.2
ACTUAL 11/12	30.6	64.7	16.5	6.3
ACTUAL 12/13	35.6	74.5	20.0	7.9
ACTUAL 13/14	39.4	86.8	19.4	8.4

OPERATING REVENUES FOR FY 2013/14



	AERONAUTICAL CHARGES 43%
	TRADING REVENUE 12%
	GROUND TRANSPORT SERVICES 19%
	INVESTMENT PROPERTY RENTALS 15%
	NET GAIN ON PREMIUM LEASING 0%
	RECHARGE PROPERTY SERVICE COSTS 10%
	OTHER REVENUE 1%

OPERATING EXPENSES FOR FY 2013/14



	SERVICES AND UTILITIES 56%
	EMPLOYEE EXPENSES 26%
	LEASING AND MAINTENANCE 5%
	GENERAL ADMINISTRATION AND OTHER 13%

NEW AIRLINES AND SERVICES

SCOOT TO SINGAPORE

AIR NEW ZEALAND'S SEASONAL NON-STOP SERVICES TO CHRISTCHURCH

QANTAS' SEASONAL SERVICES TO AUCKLAND

AVIATION DEVELOPMENT

HIGHLIGHTS

FIRST YEAR-ON-YEAR DECLINE IN DOMESTIC PASSENGERS FOR OVER 20 YEARS, EXCLUDING THE ANSETT COLLAPSE IN FY02.

INTERNATIONAL PASSENGER GROWTH REMAINED STRONG AT 9.4 PER CENT, DRIVEN BY CONTINUED CAPACITY INCREASES AND TOUGH COMPETITION.

INCREASING INTERNATIONAL AND DOMESTIC COMPETITION OFFERING GOOD VALUE TO WESTERN AUSTRALIANS.

OVERVIEW

After many years of strong growth, domestic passengers declined by 0.6 per cent in FY14. This is the first time that domestic passengers declined in over 20 years, with the exception of FY02 which was affected by the collapse of Ansett. Both interstate (down 0.5 per cent) and intrastate passengers (down 0.7 per cent) fell compared to FY13. The decline was largely a result of the slowing in resource sector construction, with some projects finishing during the year and a period of consolidation where domestic airlines paused their capacity growth in response to weak demand.

International passengers grew by 9.4 per cent and reached over 4 million for the first time, continuing a long run of high growth over the last seven years. As a result, total passengers still grew by 2.2 per cent, reaching just under 14 million for the year.

Perth Airport continues to be an integral part of the Western Australian economy, both as part of the supply chain for the resource sector and many other businesses and as the major gateway for international visitors to Western Australia. The continued strength in the State's economy, combined with geographic isolation and a high proportion of foreign born residents contributes to a high propensity to use air travel. The Perth passenger base is very diverse, with people travelling for a range of reasons including business, leisure, to visit friends and family, for education and to access essential services.

INTERNATIONAL MARKETS

International passengers grew by 9.4 per cent in FY14, while seat capacity grew by 13.9 per cent. Perth Airport continues to work closely with Tourism Western Australia to attract new airlines and increase capacity from existing airlines.

During FY14, our partnership was again successful in attracting Scoot, another low cost airline, who commenced five per week services from Singapore in December 2013.

Low cost airlines now represent 35 per cent of international seat capacity to Perth, up from 31 per cent last year.

As a result of this service and other seat capacity added in FY13, Singapore nationality passengers through the airport increased by 30% during FY14.

Other notable new services included Air New Zealand's seasonal non-stop services to Christchurch, which operated twice a week from December to April, and Qantas' seasonal services from Perth to Auckland in December and January. Both services contributed to a 14.6 per cent increase in New Zealand nationality passengers through Perth Airport, and both are scheduled to return in the coming summer.

A full year of operations for new services or increased capacity launched in FY13 from Emirates, Qatar Airways, Singapore Airlines and Garuda along with increased frequency from Malaysia Airlines and the AirAsia Group also contributed to the strong capacity growth.

United Kingdom nationality passengers continue to be the largest visitor group through Perth Airport and, along with all of the major European markets such as France, Germany, Italy and Ireland, continued to record good growth in FY14. Other nationalities with strong growth in FY14 include Malaysia (14.5 per cent), China (10.4 per cent) and India (9.2 per cent).

In May 2014, Qantas ended its Perth-Singapore services, although some seasonal services will resume in July 2014. Jetstar launched Perth-Lombok services in September 2013, but has announced that those services will cease in October 2014 due to insufficient demand.

DOMESTIC - INTERSTATE MARKETS

Interstate passengers fell by 0.5 per cent in FY14. The decline was, in part, due to the slowing of resource sector construction activity and a period of consolidation where the airlines paused in their capacity growth in response to weaker demand. It is significant to note that this is the first decline caused by market conditions in over 20 years, with the last year-on-year decline for a full financial year resulting from the collapse of Ansett in FY02.

The four major capital city routes to Melbourne, Sydney, Brisbane and Adelaide continue to account for more than 90 per cent of interstate passengers. Of the top four markets, only Brisbane grew in FY14, with passengers up 6.9 per cent and capacity up 13.1 per cent as both Virgin Australia and Qantas added seat capacity. The other three markets all declined slightly.

As a result of the substantial capacity increases to Brisbane, Jetstar suspended its Gold Coast services in October 2013 and its Perth-Brisbane services in June 2014. Despite these service cuts, Jetstar remains an important part of the Perth interstate market with services to Melbourne, Sydney, Adelaide and Cairns.

Qantas and Virgin Australia continued their intense competition on the transcontinental routes, with the wide body A330 aircraft firmly established as the aircraft of choice for Melbourne, Sydney and Brisbane services.

Tigerair Australia continued its double daily Perth-Melbourne services and launched 6 per week Perth-Sydney services in December 2013.

DOMESTIC - INTRASTATE MARKETS

Perth Airport's new $120 million Domestic Terminal 2 saw its first full year of operation in FY14, as the home of Virgin Australia Regional Airlines (VARA), Alliance Airlines and Tigerair Australia.

Regional traffic began to slow in November 2012 and that trend continued throughout FY14 with intrastate passengers down 0.7% for the year. Resource sector construction projects are beginning to wind down and, as a result, construction Fly-In, Fly-Out (FIFO) workers are declining as these projects go into operations mode. Generally, the peak construction periods require a larger workforce so, as a result, FIFO passengers through the airport declined slightly during the year.

Despite a decline of 10.9 per cent, Karratha continued to be the largest regional port. The top five resource-related ports continue to be Karratha, Port Hedland, Newman, Kalgoorlie and Paraburdoo although they now make up 53 per cent of intrastate passengers, down from just under 60 per cent in FY13.

Traffic to Broome and Exmouth declined slightly during the year and, in July 2014, VARA announced their withdrawal from the Exmouth market effective October 2014. The Qantas Group will continue to serve the Exmouth market.

OUTLOOK

With resource sector construction projects continuing to finish over the next few years, the rate of growth in domestic passengers is expected to remain low. International growth is expected to moderate in FY15, although new services including the launch of Etihad Airways in July 2014 are predicted to keep international growth above domestic rates.

As noted in previous years, there is a strong correlation between aviation demand and economic conditions and the Western Australian economy is sensitive to the economic performance of our key trading partners. The outlook for the Western Australian economy remains favourable, although economic growth is expected to be below recent levels. This favourable outlook reflects the ongoing demand for Western Australian export products and services, including resources, agriculture, tourism and education services.

AIRPORT DEVELOPMENT

HIGHLIGHTS

INTERNATIONAL ARRIVALS EXPANSION PHASE 1 COMPLETED.

THE FIRST OF TWO A380 COMPATIBLE GATES COMPLETED.

ADDITIONAL LONG TERM PARKING FACILITIES COMPLETED.

T2 SHORT TERM CAR PARK COMPLETED.

T2 TAXI AND BUS AREA COMPLETED.

UPGRADES TO TERMINAL 3 NEARING COMPLETION.

TERMINAL 1 DOMESTIC PIER AND INTERNATIONAL DEPARTURES TRANSFORMATION UNDER CONSTRUCTION.

TERMINAL 1 INTERNATIONAL DEPARTURES UPGRADE (LEVEL 1) UNDER CONSTRUCTION.

In FY14, Perth Airport's privately funded $1 billion redevelopment program has progressively transformed terminal facilities and ground transport options for customers. While the extensive construction program is continuing, critical milestones in key projects were reached and new projects developed.

TERMINAL 2

As the first of the major projects to be completed, Perth Airport's new $120 million Domestic Terminal 2 (T2) saw its first full year of operation in FY14 catering for increased charter and interstate services.

Further facilities opening during the year included the completion of a dedicated short term car parking and the new taxi and bus area, which have contributed towards an improved customer experience.

In addition, a large scale urban art project was completed on the exterior walls of the co-generation power plant located next to T2, which is the first in a series of public art installations at Perth Airport, as part of the redevelopment program.

Work commenced on the construction of the new airside passenger link between T2 and the new Domestic Pier. This link will allow passengers to transfer between terminals, with completion scheduled to coincide with the opening of the Pier.

INTERNATIONAL ARRIVALS

The first phase of the $80 million International Arrivals Expansion project was completed in November 2013 and involved extending the existing terminal building by nearly 60 metres to the east to create the new area for inbound Immigration on level one, next to a new walk-through JR/Duty Free store. Completion of this area, which is twice the size of the previous area on the ground floor, has allowed for the expansion of the baggage reclaim and Biosecurity (Quarantine) inspection areas on the ground floor.

TERMINAL 1 DOMESTIC PIER

Construction is well advanced on the new $200 million Domestic Pier at the western end of the current International Terminal 1 (T1), which is scheduled for completion in 2015.

When completed, the contemporary designed Domestic Pier will become the new home of Virgin Australia's domestic operations. The Pier includes 12 aerobridge gates, 14 check-in counters, two new Virgin Australia lounges overlooking the airfield and new retail offers.

Perth Airport is continuing its commitment to environmentally sustainable design by incorporating features in the new Domestic Pier to reduce energy consumption, particularly in relation to thermal and solar performance and the 'building envelope'. These are the areas that surround the building – such as the roof, windows, facade and sun shading.

The Pier will include;

- external shading panels and skylights to reduce solar heat while maximising the use of natural light,
- energy efficient lighting to all areas with automatic dimming linked to daylight sensors,
- temperature control measures in spaces that are not always occupied, such as aerobridges, which will reduce the loads on cooling/air conditioning,
- travelators and escalators activated by motion sensors that they will slow down and stop depending on passenger movements, which will also reduce power consumption, and
- automatic water efficient fixtures in all restrooms.

In addition, intelligent lighting control systems will allow the colour of the lights to change depending on the time of day, which will provide a more relaxing environment for passengers.

This project also includes the expansion of the international departures area.

T1 INTERNATIONAL DEPARTURES EXPANSION AND LEVEL 1 UPGRADE

The $100 million expansion of the T1 international departures area will significantly enhance the international travel experience for passengers by delivering:

- an additional 16 check-in counters,
- two A380-capable aircraft gates – the first of which was completed in December 2013,
- four aerobridges,
- three airline lounges, and
- expanded retail offerings.

Work is well advanced on the $45 million upgrade of the T1 international landside departures area that will greatly improve the customer experience. This includes a refurbished retail and dining area and the expansion of the new outbound passport control and security screening areas, incorporating new technology. One of the security lanes will be dedicated to families and people needing assistance, and has been designed to meet their specific needs.

TERMINAL 3

Perth Airport is also investing in the further development of Terminal 3. Works completed as part of this project in FY14 include:

- replacing the existing carpet on the ground floor with terrazzo tiles in the check-in and baggage claim areas to create a lighter, more contemporary space,
- expanding baggage reclaim belts to reduce waiting times for arriving passengers, and
- adding a new aerobridge.

Work is continuing on remodelling and enhancing the security screening area to facilitate a quick passage to level 1 via new escalators, and extending the departures area near Gate 16 and incorporating new retail outlets.

AIRFIELD

During the year, we continued our investments to expand and renew the extensive system of runways, taxiways and aircraft parking areas at Perth Airport.

The demand for aircraft parking and departures and arrivals at Perth Airport grew rapidly in the past five years. In FY14, there continued to be a slowing in domestic growth which has been linked to the completion of resource sector construction projects and the shift from construction to operations modes, which generally requires a smaller workforce.

The airfield investments completed in FY14 included:

- rehabilitation and overlaying of Runway 06/24 from Node 06 to Taxiway Sierra,
- construction of a new wide-bodied apron to accommodate the new Domestic Pier adjacent to Terminal 1,
- reconfiguration of the Terminal 3 apron to accommodate three Code C contact positions, and
- upgrading the 900 taxi-lane for Code E access to Runway 06, and
- creating new bussing positions on the 900 bays.

The program of airfield works is continuing with several projects under construction or expected to commence in the next 12 months including:

- renewing the electrical reticulation system and supply within the airfield,
- extending Taxiway Charlie to the main runway threshold,
- constructing the first stage of a new support apron taxi-lane for the Consolidated Precinct logistics operations,
- preparing the airfield, including installation of blast pavement fillets, for routine A380 operations, and
- renewing taxiways and taxi-lanes within the General Aviation and Terminal 4 corner of the airfield.

OUTLOOK

The vision for Perth Airport focuses on the consolidation of all commercial air services into one precinct, to be called Airport Central, as detailed in the Preliminary Draft Master Plan 2014 which was released for public comment in late June 2014. The Master Plan is the blueprint for the future development of the airport and sets the scene for significant further private investment in airport infrastructure over the next two decades.

It highlights an exciting program of terminal infrastructure development and expansions to meet future demand, as well as the construction of a new runway and ongoing airfield developments.

Major redevelopment projects outlined include:

- the construction of a new International Pier at the eastern end of T1 to address the continuing steady growth of international passenger numbers,
- the construction of a new terminal, T3, to the east of T1,
- progressive expansion of T2 to meet demand,
- multi-storey car parks and commercial office space, and
- significant upgrades to roads and improved access to terminals.

It is vital to our State's economy that Perth Airport preserves and enhances its capacity to grow commercial aviation. We will continue to invest heavily in business and infrastructure planning and manage the ongoing redevelopment of the airport estate in a structured and disciplined way to ensure we deliver a world class airport experience for our customers.

AIRPORT PLANNING

HIGHLIGHTS

AIRPORT VISION COMPLETED.

PRELIMINARY DRAFT MASTER PLAN 2014 RELEASED FOR PUBLIC COMMENT.

TERMINAL MASTER PLANNING REVIEW COMPLETED.

NEW INTERNATIONAL OUTBOUND IMMIGRATION AND SECURITY SCREENING AREA.

ROAD ACCESS IMPROVEMENTS AND UPGRADES, INCLUDING GATEWAY WA.

VISION

As part of our long term planning and safeguarding for airport operations, we have developed a Vision and long term plan for the transformation of Perth Airport.

Perth Airport is set to be one of the Asia-Pacific region's premier gateways and an enabler of WA's growth, as we plan on accommodating a doubling of passengers to 28.5 million by 2034. Our Vision is for all commercial air services to be operating from one precinct and offering a high quality airport experience.

MASTER PLANNING

Perth Airport is required to produce a Master Plan every five years outlining our development plans for the next 20 years and beyond. For the first time, the Master Plan 2014 includes an Environment Strategy and a Ground Transport Plan.

The purposes of the Master Plan are to:

- strengthen and enhance the aviation capacity of the airfield, including the planning and construction of a new runway,
- progress terminal consolidation with the construction of new terminals within the Airport Central precinct,
- further the redevelopment of land not currently required for aviation purposes for productive commercial development,
- support major Commonwealth and State government projects to improve road and rail access to meet the needs of the people in the Perth eastern metropolitan region, and
- ensure development meets environmental obligations and that the development and operations respect the strong bonds that exist between the Noongar people and the Perth Airport estate.

During FY14, we issued the Preliminary Draft Master Plan 2014 and released it for a 60 business day public comment period. Extensive community consultation also commenced in June as part of the public comment period, including Community Information Sessions in the City of Belmont, Shire of Kalamunda and City of Swan. Further Community Information Sessions are planned throughout the public comment period.

Following the public comment period, all submissions will be reviewed and assist in the preparation of the Perth Airport Draft Master Plan 2014, which will be submitted to the Commonwealth Minister for Transport and Infrastructure by no later than 2 November 2014.

TERMINAL MASTER PLANNING

Our Terminal Master Planning review was completed during FY14, from which the development strategy for Airport Central was identified.

The preferred option for future international expansion is a new mid-field terminal facility, with a spacious departures lounge surrounded by 14 wide-bodied aircraft bays when finally completed. It will include a significantly expanded and improved retail and food and beverage offering, and direct and easy access for all passengers to their gates from the new outbound immigration and security screening point.

This new facility is expected to be built in stages and is likely to provide sufficient international capacity until the mid-2040s. Feasibility planning and design work for the new facility will now proceed in close consultation with international airlines.

We also commenced conceptual terminal planning for the final stage of consolidation of domestic operations into the consolidated terminal area, including identifying the best location for the next domestic terminal.

IMPROVED ROAD ACCESS

The Gateway WA Perth Airport and Freight Access project is a $1 billion State and Federal Government funded project. It has been designed to address congestion in the vicinity of the airport and to support the large and growing freight task in the Kewdale area. Perth Airport has supported the project by providing much of the land that is necessary for upgrades of the junctions of Tonkin Highway with Horrie Miller Drive and with Leach Highway.

Perth Airport will build new access road into the consolidated precinct to provide a full freeway-to-freeway access to the airport, with works scheduled to be completed in 2015.

FORRESTFIELD AIRPORT LINK

Perth Airport has been working closely with the Public Transport Authority to identify the route of the rail line and the preferred locations for the stations serving the airport estate. Key elements have been detailed and provided for in the Preliminary Draft Master Plan 2014.

Work will continue in FY15 to ensure that the design integrates with the existing and planned airport infrastructure and that the impact on operations during construction is minimised.

MULTI-STOREY CAR PARK

Planning and design has been progressed for the first multi-storey car park at Airport Central. There has been detailed benchmarking and analysis from airports around the world in relation to parking and passenger drop-off and pick-up. This analysis is informing the development of the plans and will ensure we provide a high quality customer experience.

In the interim period, the planning for additional at-grade parking and the relocation of the entry and exit plaza was carried out to ensure the continued operation of the ground transport operations while the multi-storey car parking is constructed.

Planning and delivery of high quality long term car parking continued during the year. The highest demand for car parking is for longer term stays, reflecting that both domestic and international travellers often depart Perth for a period of five or more days. Our long term car parking, serviced by a high quality ten minute bus to the terminal door continues to be in high demand.

GROUND TRANSPORT PLAN

Perth Airport has a Ground Transport Master Plan that ensures we are able to provide suitable airport access throughout the redevelopment phase and consolidation of airport services into one precinct, which will occur in the mid-2020s.

AIRFIELD CAPACITY AND THIRD RUNWAY

Due to the nature of the resource sector's Fly-in Fly-out (FIFO) workforce deployment and the need to time many international flights to connect to other services at hub airports, Perth Airport experiences significant peak periods at particular times during the day and night. During the morning peak period, approximately 80 per cent of aircraft movements at Perth Airport are departures and only 20 per cent are arrivals.

In the early morning, there is a departures peak that sees up to 40 aircraft departing each hour for a two to three hour period. In the afternoon, there is an arrivals peak which sees up to 24 aircraft arriving each hour for a two to three hour period. Perth Airport has worked closely with Airservices Australia and airlines to enhance capacity from the existing airfield through the Airport Capacity Enhancement (ACE) program. One initiative included the implementation of a Schedule Coordination System (commonly referred to as 'slots') which has resulted in a 60 per cent reduction in arrivals and departures delays.

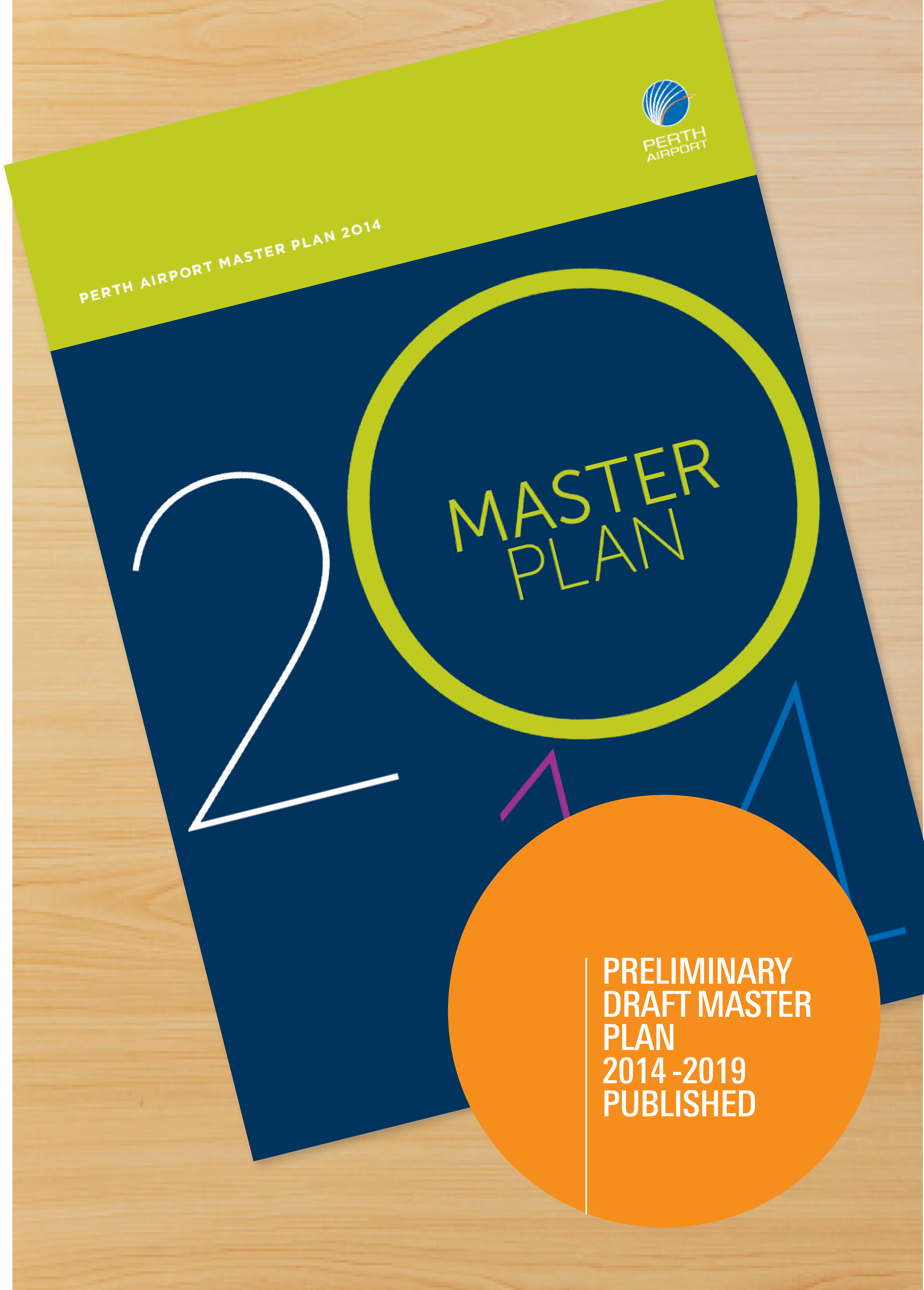
Despite these improvements, demand still exceeds capacity in peak periods across the day and we are accelerating the planning for the construction of the new runway.

We engaged National Air Traffic Services (NATS), the United Kingdom's air navigation service provider, to assist with determining the timing of construction of the new runway. Based on their analysis and comprehensive interaction with Airservices Australia and airlines, the construction of the new runway is scheduled for completion before the end of this decade, subject to demand.

The third runway is a significant piece of infrastructure and requires extensive planning and consideration of issues such as the:

- redesigning airspace for the Perth metropolitan area,
- impact on airlines and their passengers (flight paths, taxiing distances and time and cost),
- impact on roads that currently link the airport,
- expansion and integration of taxiway systems,
- design of runway lighting, high intensity approach lighting and other navigation aids, and
- environmental impacts.

The feasibility and concept study has been completed and our consultation with airlines is continuing.



GROUND TRANSPORT

HIGHLIGHTS

EXPANSION OF THE T1/T2 LONG TERM PARKING NETWORK.

DELIVERY OF NEW T2 SHORT TERM PARKING AND TAXI/BUS FACILITIES.

DELIVERY OF NEW T3 CAR RENTAL FACILITIES.

DEVELOPMENT OF AN ON-LINE CAR PARK BOOKING SYSTEM.

PLANNING FOR THE NEXT STAGE OF AIRPORT CONSOLIDATION AND GROWTH.

OVERVIEW

In FY14, a number of new parking expansion and facilities improvement projects were delivered to accommodate passenger demand and improve the customer experience. In addition, planning was significantly progressed for a number of new projects to support staged airport consolidation in the Airport Central precinct, initially through the relocation of Virgin Australia to the new T1 Domestic Pier in FY15.

CAR PARKING

In FY14, we continued to expand the capacity of our car parking network to further support passenger growth and increasing patronage.

A total of 1,774 new Long Term car parking bays (T1 and T2) and 232 new Short Term bays (T2), including bays for car rental and speciality parking modes, were delivered, increasing the total number of bays for passengers, visitors and staff to 19,001. All new parking bays are constructed to a high standard, offering a safe and convenient parking experience for all customers.

Car parking capacity will further expand in FY15, with expansion projects to support the opening of the T1 Domestic Pier and to accommodate passenger growth.

CAR RENTAL

Perth Airport continued to improve the car rental offering in FY14, with the delivery of new service counters in T3 and new T2 'ready bays' facilitating customer vehicle collection and return.

New car rental facilities are planned in FY15 to support the opening of the T1 Domestic Pier.

ON-LINE BOOKING SYSTEM

The development of an on-line car parking booking system was significantly progressed in FY14 and will go 'live' next year. The booking system will allow users to reserve a parking bay in any one of Perth Airport's public car parks, providing customers with the convenience of pre-planning their journey to and from the airport.

BUSES AND TAXIS

Further improvements were made to the airport's bus and taxi facilities, with the completion of the T2 taxi and bus forecourt delivering a high standard of facilities and customer experience.

OUTLOOK

Next year will be another year of significant project investment, delivery and planning, particularly in and around the Airport Central precinct servicing T1 and T2.

A major expansion and improvement project is planned for the T1 Short Term car park to provide capacity for the opening of the T1 Domestic Pier and to support continuing international passenger growth.

The expanded car park will integrate with a new T1 forecourt pedestrian plaza and access roads, offering significantly improved precinct access and an enjoyable customer experience.

New car rental counters and 'ready bays' will also be delivered.

Further expansion of the Long Term parking network will be completed with improved access through construction of a major new road network.

RETAIL

HIGHLIGHTS

JR DUTY FREE COMMENCED RETAILING AT PERTH AIRPORT AND DELIVERED BRAND NEW AND EXPANDED DUTY FREE STORES.

FIVE NEW STORES IN THE INTERNATIONAL TERMINAL 1 DELIVERED, INCLUDING TWO DUTY FREE STORES, TWO TRAVELEX OUTLETS AND A FULLY REFURBISHED AUSTRALIAN WAY OUTLET.

ELEVEN NEW RETAIL AND FOOD AND BEVERAGE OUTLETS AWARDED IN THE INTERNATIONAL TERMINAL 1 DEPARTURES AND ONE IN INTERNATIONAL ARRIVALS.

TEN NEW SPECIALTY & FOOD AND BEVERAGE OUTLETS AWARDED FOR THE DOMESTIC PIER.

SIGNIFICANT PLANNING FOR THE NEXT PHASE OF THE INTERNATIONAL TERMINAL 1 EXPANSION.

In FY14, retail revenue increased by eight per cent to $54.2 million reflecting continued passenger growth, trading of new concessions and renegotiated contracts.

Our retail focus continues to be on the leasing and project delivery of new outlets within the Domestic Pier and International Departures areas, as well as planning for future terminal developments. Perth Airport's redevelopment provides a platform to deliver a great customer experience, including more choice and good value within new retail environments.

An Automatic Teller Machine (ATM) tender process was undertaken this year, resulting in multiple banks being awarded. These will be delivered throughout the terminals in FY15.

A number of new advertising formats, including digital, continued to be rolled out across the terminals as part of terminal and road redevelopments.

INTERNATIONAL TERMINAL (T1)

The new JR Duty Free store in the International Terminal 1 Arrivals opened in November 2013, with a significantly expanded store and providing a greater choice through the introduction of new products including perfumes, cosmetics, technology and wine.

The new Departures airside store (after security screening) was completed in June 2014 and provides an improved store layout and the introduction of new products including the JR Watch/Co luxury watch store, luxury handbags and a focus on local wines.

A full refurbishment was completed for the Australian Way Departures store and two new Travelex stores were delivered as part of the Arrivals redevelopment.

Construction of the landside Departures area commenced, resulting in the closure of retail and food & beverage stores to facilitate the terminal redevelopment which will create a new retail hub, expanded security and Customs processing areas. An intensive design phase for retailer fit-outs was completed for five new food & beverage stores and seven retail stores including JR Duty Free, Travelex, Link (Newslink), Purely Merino, Australian Way, Rip Curl, Sunglass Hut, Hungry Jack's, Guzman y Gomez, Harvest, Long Neck Public House and Machinetta.

Concept planning commenced for an improved food & beverage offer in the Departures area and the concept branded Haymarket has been awarded to Red Rock. The concept delivers new choice and quality within an ambient environment, forecast to be trading in FY16.

Delaware North was successful in retaining the International arrivals café branded '6000 Acres' with a focus on Western Australian brands. This store is forecast to be trading in FY15.

TERMINAL 1 DOMESTIC PIER

Four new retail specialty stores were awarded to Rip Curl, Sunglass Hut, Amcal Express, WH Smith (including Zoodle retailing children's games & toys) and Gadget Shop by WH Smith (technology & related accessories).

Five new food & beverage stores were secured by Hudsons Coffee, Salsa's Fresh Mex Grill, Nooodles (an authentic Malaysian Halal offer), Long Neck Public House (a bar/restaurant), and Toby's Estate (a boutique coffee brand).

The retail store design phase commenced in FY14 and will be concluded in early FY15.

DOMESTIC TERMINALS 2 & 3 (T2 & T3)

Terminal 3 experienced reduced passenger activity, however, met retail expectations. Dome café delivered a 'pop up' bar within their newly created outdoor seating space which proved popular with customers.

Emirates Leisure Retail was successful in retaining Hudsons Coffee, and the new store is scheduled to open in FY15.

PROPERTY

HIGHLIGHTS

DELIVERY OF A "5 STAR GREEN STAR" OFFICE BUILDING FOR RIO TINTO.

A 9,000M2 "4 STAR GREEN STAR" OFFICE BUILDING UNDER CONSTRUCTION.

CONSTRUCTION OF A PURPOSE BUILT SERVICE CENTRE FOR SIEMENS DUE TO COMMENCE.

PROPERTY PORTFOLIO REMAINS FULLY OCCUPIED.

OVERVIEW

Perth Airport continues to be a location of choice for aviation and non-aviation related businesses due to its central position in the greater metropolitan region and proximity to road, rail and air transportation links.

The estate is located near a number of strategic freight facilities, such as the Kewdale rail freight facility and Forrestfield intermodal rail facility, along with direct access to regional freight routes to the north of the State and Fremantle Port.

Key property projects included the completion of a new '5 star Green Star' office building for Rio Tinto.

A 9,000m2 '4 star Green Star' office, pre-committed to Byrnecut Group, is under construction and due to be completed in mid-2015. The Bravo building is a four 'A' grade office with a semi in-ground basement providing secure undercover tenant parking and state-of-the-art end-of-trip facilities, keeping pace with modern trends. The building will also feature a coffee shop and has potential for other retail offerings. The design allows large floor areas to be flooded with natural light and offers a modern, efficient environment.

The airport will also welcome Siemens to the estate. A purpose-built service centre (industrial workshop) will be constructed for them during the next 12 months to meet their expanding operational needs.

There has also been increased leasing activity with our existing tenant base including key logistics provider, Toll, who has made long term commitments to additional premises.

Terminal leasing activity remained strong in line with the progress towards consolidation in the Airport Central Precinct.

AIRPORT OPERATIONS AND INFRA-STRUCTURE

HIGHLIGHTS

SIGNIFICANT INCREASE IN VOLUNTEER AMBASSADORS THROUGHOUT OUR TERMINALS.

ROLLOUT OF WIFI ACROSS THE AIRPORT.

COMMISSIONING OF THE FIRST A380 CAPABLE GATE AT THE INTERNATIONAL TERMINAL1.

INTRODUCTION OF 1000 NEW BAGGAGE TROLLEYS.

COMPLETION OF A NEW BUSSING CONTRACT WITH NEW VEHICLES ADDED TO THE FLEET.

OPENING OF A NEW, ENLARGED INTERNATIONAL ARRIVALS AREA.

CONTINUED REFINEMENT OF THE SCHEDULE COORDINATION SYSTEM.

COMPLETION OF RESURFACING OF CROSS RUNWAY WORKS WITH NO OPERATIONAL IMPACT.

SUPPORT TO MULTIPLE AGENCIES AND FOREIGN GOVERNMENTS IN RELATION TO MH370 INCIDENT.

AIRPORT OPERATIONS

Our volunteer ambassador team has seen a dramatic increase in numbers during the past year. With over 100 volunteers, we are well on our way to our target of a team of 200. Ambassadors were also introduced at both Terminal 3 and Terminal 4 during FY14.

Wi-fi was rolled out across all our terminals during the year. With easy connection and high speed, customers travelling through the airport can now get online easily at any point during their journey. The service, provided in conjunction with WA based company *iinet*, has been a great success.

Perth Airport's Operational teams provide a range of services across the entire airport precinct with the specific objective of improving the flow of vehicles, passengers and visitors at a range of key touch points. A review of a number of major contracts has seen the introduction of new baggage trolleys and a recently finalised bussing contract will ensure that our fleet of terminal transfer and long term car park busses are updated with a new, improved fleet.

We have been focussing on service delivery during a period of significant works in Terminal 1. This has involved close coordination with various stakeholders including airlines and government agencies to ensure minimum disruption as we continue to deliver an improved customer experience and build for the future.

The first of our A380 capable gates was opened in December 2013, in anticipation of future regular operations.

During the year, the new Arrivals area was opened at Terminal 1 including Smartgate technology to assist customers with arrival formalities. The new area represents a significant improvement to a critical component of the customer journey.

Additionally, body scanners and the latest x-ray technologies were introduced in the outbound Departures security area, as part of an ongoing focus on security.

The most significant airfield project was the resurfacing of the cross runway (06/24), which required a high level of coordination and oversight in conjunction with Airservices Australia, airlines and the construction team delivering the works.

High level support was provided to a variety of agencies, both domestic and international, in relation to the MH370 search efforts during March and April.

OPERATIONAL CAPABILITY

The Schedule Coordination System, implemented in March 2013, continued to help better balance demand and capacity and reduce delay by in excess of 60 per cent for both departures and arrivals. This efficiency led to improved Air Traffic Control (ATC) delivery performance and, in some cases, improved arrival and departure rates.

Schedule Coordination has also allowed schedule data to be distributed more widely to assist with resource allocation and planning.

The Airport Capacity Enhancement (ACE) program also continued to promote more efficient use of current infrastructure by introducing new procedures and technology to support both controllers and aircrew.

This year has seen the delivery of the:

- Metron departure flow management tool to accurately flow-manage and allocate required ground delay to departures as well as arrivals, and
- Maestro arrival management toll for the Perth Terminal Control Unit (TCU), which automatically calculates the required speed and order of arriving aircraft for ATC and significantly reduces controller workload.

The focus for the year ahead will be data gathering, with reporting expected on compliance from Metron and the introduction of ASMGCS (Advanced Surface Movement Guidance Control System), which will provide real time data on airfield performance.

WIFI

ROLLED OUT ACROSS THE AIRPORT

SECURITY AND EMERGENCY SERVICES

HIGHLIGHTS

SUCCESSFUL IMPLEMENTATION OF ENHANCED COMMONWEALTH GOVERNMENT PASSENGER SCREENING REQUIREMENTS INCLUDING NEW SCREENING REQUIREMENTS FOR LIQUIDS, AEROSOLS AND GELS.

FURTHER ENHANCEMENTS TO CONTINUOUS SURVEILLANCE CAPABILITY ACROSS THE AIRPORT ESTATE.

INSTALLATION AND COMMISSIONING OF ANTI-PASS BACK LANES IN TERMINALS PROVIDING AUTOMATED DETECTION OF UNAUTHORISED ENTRY TO SECURITY RESTRICTED AREAS.

UPGRADE OF THE TERMINAL 1 INTERNATIONAL PASSENGER SCREENING POINT WITH INSTALLATION OF NEW I-LANE AND EXTENSION OF SCREENING LANES TO IMPROVE PASSENGER THROUGHPUT.

ENHANCED EMERGENCY MANAGEMENT TRAINING AND EXERCISING RESULTING IN IMPROVED EMERGENCY RESPONSE CAPABILITY AT PERTH AIRPORT.

SECURITY

In FY14, Perth Airport continued its successful implementation of a range of new technology and processes to enhance security including:

- implementing new liquid explosive detection requirements for liquids, aerosols and gels, and
- completion of design for new domestic and international passenger screening points.

Physical security enhancements that are the subject of current capital and major projects include:

- further upgrade of the T1 International screening point to accommodate additional multi-view explosive detection system enabled x-ray equipment and I-lane system, additional millimetre wave body scanners and enhanced tray return system,
- construction of the T1 Domestic Pier screening point to accommodate multi-view explosive detection system enabled x-ray equipment,
- upgrade of the T3 Domestic screening point to accommodate multi-view explosive detection system enabled x-ray equipment and to provide an enhanced passenger experience,
- installation of additional security infrastructure to the T3 walkways to ensure separation of screened and unscreened passengers,
- an upgraded access control system to be integrated with CCTV and alarm systems,
- a new Aviation Security Identification Card (ASIC) and Visitors Identification Card (VIC) system to facilitate new legislative requirements for processing and record storage,
- relocation of the Airport Services Office to improve staff amenity, client access and to allow for an expanded range of services to be offered to the airport community,
- upgrades to airside gate facilities to provide improved accommodation for security personnel, and
- completion of the perimeter security upgrade with the installation of a Perimeter Intrusion Detection System.

EMERGENCY SERVICES

Perth Airport continued to enhance its emergency response arrangements with a series of joint exercises conducted with response agencies, airlines and other airport stakeholders.

The new Emergency Staging Area at Gate 6 was exercised, ensuring emergency responder familiarity with the requirements of the staging area.

Our Emergency Management training program continues to be rolled out, to improve personal and organisational capability in this area.

ENVIRONMENT

HIGHLIGHTS

CONTINUED SUCCESSFUL IMPLEMENTATION OF CONTROLS SUCH AS WATER QUALITY MONITOR AND TENANT AUDITING.

PARTICIPATION OF MORE THAN 500 STUDENTS FROM 16 LOCAL SCHOOLS IN THE ANNUAL SCHOOL PLANTING PROGRAM.

PUBLISHED THE PRELIMINARY DRAFT MASTER PLAN 2014-2019, INCORPORATING THE ENVIRONMENT STRATEGY.

PUBLISHED THE ANNUAL ENVIRONMENTAL REPORT.

EXPANSION OF PERTH AIRPORT'S NAIDOC WEEK ACTIVITIES.

MORE THAN 45,000 PROVENANCE SEEDLINGS PLANTED.

SCHOOL PROGRAMS

The Perth Airport estate is 2,105 hectares in size, and incorporates approximately 467 hectares of vegetated area, providing habitat for a diverse range of vegetation communities, flora, and fauna. During FY14, Perth Airport prepared and released the Preliminary Draft Master Plan 2014-2019, which incorporates our Environment Strategy.

Perth Airport continued its commitment to education and community engagement with the annual School Planting Program. In FY14, more than 500 students from 16 local schools planted 7500 seedlings across the estate. Students also participated in Aboriginal cultural education activities, and 16 schools received grant funding for environmental projects.

TENANT OPERATIONAL ENVIRONMENTAL MANAGEMENT PLANS

During the year, we continued our program of surface and ground water monitoring. The quarterly monitoring program provides information on water quality that flows into wetlands and across the estate's drainage network. Results were consistent with historical data, indicating that water quality exiting the airport estate is equal to, or better than, that entering the estate from urban catchments.

We continued to monitor the environmental impacts of all tenants on the airport estate. All tenants, except those with negligible environmental risk, are required to demonstrate a high level of environmental performance through the development of, and compliance with, Operational Environmental Management Plans (OEMPs).

TERMINAL 2

In its first full year of operation, Terminal 2 demonstrates Perth Airport's commitment to sustainability through the incorporation of exciting design features, including:

- A co-generation power plant which uses gas to generate electricity. The power plant is expected to reduce greenhouse gas emissions by up to 55 per cent, when compared to using electricity which is sourced from the grid (through Western Power).
- Rainwater is harvested from the terminal roof and put to suitable uses. This translates to approximately 60,000kL of water savings per annum.
- Heating and cooling vents are installed within the garden beds of the terminal forecourt to use the earth to heat and cool air inside the terminal, assisting to reduce our reliance on artificial heating and cooling.
- The terminal's aircraft movement area is fitted with Fixed Ground Power Units (FGPUs) providing power to parked aircraft. This allows aircraft to fully shutdown engines rather than running their engines for air conditioning and lighting. The use of FGPUs reduces local noise and fossil fuel emissions and could save up to 350kg of carbon dioxide per hour of operation.
- A new Combined Logistics Facility provides for significant improvements in waste management, maximising the ability to separate waste streams and reduce waste transportation costs.

OUTLOOK

Perth Airport will continue to seek opportunities to operate in an environmentally sustainable manner. Targets for FY15 include:

- incorporation of sustainability principles into built form and infrastructure is investigated,
- a new Aboriginal and Cultural Heritage Policy and Framework is developed,
- audits of energy, water and waste are undertaken across the estate,
- continuing engagement with Aboriginal groups to develop an Aboriginal Cultural Management Plan.

500

STUDENTS INVOLVED IN THE SCHOOL PLANTING PROGRAM

FUNDING SUPPORT FOR COMMUNITY GROUPS AND SCHOOLS

COMMUNITY ENGAGEMENT AND SUPPORT

HIGHLIGHTS

FUNDING SUPPORT PROVIDED TO MORE THAN 70 COMMUNITY GROUPS AND SCHOOLS.

STRONG COMMUNITY ENGAGEMENT AND CONSULTATION THROUGH A RANGE OF FORUMS.

STRONG SUPPORT FOR THE TOURISM SECTOR.

RECOGNITION OF ABORIGINAL HERITAGE.

OVERVIEW

Perth Airport plays an important role in the lives of many Western Australians, and is one of the State's most important public transport 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.

We take our 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 strong and long lasting relationships, working with local communities to build active working partnerships and contributing to a wide range of community activities, supporting organisations, families and groups.

Community Support

During the year, we continued to support community events through our Community Partnership Program, which sets out a framework to provide guidance to applicants seeking funding for initiatives focusing on the priority areas of: Youth and Education; Community and Culture; and Environment.

In FY14, Perth Airport was proud to support the following groups:

- ANZAC Western Front Tour
- Australian Arab Association
- Australian Red Cross
- Belmont City College
- Belmont Business Enterprise Centre
- Black Swan State Theatre Company
- Boomerang Association of Australia
- Baseball WA
- Cancer Council
- Celebrate WA
- Chamber of Commerce and Industry
- Chevron City to Surf
- Children's Leukaemia and Cancer Research Foundation
- City of Belmont
- City of Gosnells
- Clayton View Primary School
- Constable Care Child Safety Awards
- Customs Brokers and Forwarders Council of Australia
- Department for Child Protection
- Ear Science Institute Australia
- East Metropolitan Regional Council
- Foodbank WA
- Foothills Men's Shed
- Forrestfield High Wycombe Lions Club
- Forrestfield Primary School
- Girls' Brigade WA
- Gosnells Writers Circle
- Guildford Heritage Festival Council
- Guildford Primary School
- Gyuoto House Australia
- HeartKids WA
- Heritage Perth
- Jacaranda Community Centre
- Langford Aboriginal Association
- Life Education WA
- Lions Cancer Institute
- Middle Swan Primary School
- Mission Australia
- Movember Foundation
- Passengers Resource Centre
- Perth District Football Development Council
- Perth Hills Vignerons Association
- Perth International Golf Tournament
- Princess Margaret Hospital Foundation
- Queens Park Primary School
- Regional Achievement and Community Awards
- Ride to Conquer Cancer
- Rise Network
- Royal Agricultural Society of Western Australia
- Riding for the Disabled Association Swan Valley
- Ronald McDonald House
- Salvation Army
- SAS Resources Fund
- Sculpture by the Sea
- Shire of Mundaring
- Starlight Foundation
- St Vinnies' CEO Sleepout
- Swan Chamber of Commerce
- Taste Great Southern
- Taxi Council of WA
- Telethon
- Tourism Council WA
- Volunteering WA
- Weekend to End Women's Cancer
- West Australian Symphony Orchestra
- WA Chinese Chamber of Commerce
- WA Farmers Federation
- Women's Council for Domestic and Family Violence
- 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 reinforced our support of the tourism industry by once again being the naming rights sponsor of the 2013 Perth Airport Western Australian Tourism Awards, which are delivered by Tourism Council WA.

ABORIGINAL HERITAGE

We acknowledge 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 important 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 thorough community sponsorships and tertiary scholarships.

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

- Regular meetings between parties to the agreement to discuss issues related to airport development, conservation management and ongoing support for cultural awareness activities.
- Sponsorship of two Aboriginal Art categories in the City of Belmont Art Awards.
- Sponsorship of the Indigenous Small Business Category in the Belmont Business Awards.
- Engagement of a representative from the WA Department of Environment and Conservation to provide Aboriginal awareness activities for more than 500 students from 16 shcools who participated in Perth Airport's annual School Planting Program.
- NAIDOC Week celebrations including an art exhibition and a celebratory morning tea in Terminal 2, a guided tour of Munday Swamp and distribution of information brochures to customers and staff in Terminals 1, 2 and 3.
- Procurement of an artwork by an emerging Indigenous artist, to join our Indigenous art collection.
- Presentation of Indigenous Scholarships to the value of $5,000 per year for students undertaking full-time studies at Edith Cowan University.

COMMUNITY & STAKEHOLDER ENGAGEMENT

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

In FY14, member councils of the PAMG were:

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

Perth Airport convenes a Planning Coordination Forum to foster high level strategic discussions between the airport and Commonwealth, State and Local Government representatives to promote better planning outcomes in relation to airport developments, in the context of the broader urban setting. Participating in the Perth Airport Planning Coordination Forum in FY14 included:

- Airservices Australia
- Chamber of Minerals and Energy WA
- City of Belmont
- City of Swan
- Shire of Kalamunda
- Department of Infrastructure and Regional Development (Commonwealth)
- Department of Planning (WA)
- WA Planning Commission
- Department of Transport (WA)
- Main Roads WA
- Public Transport Authority

In 2012, Perth Airport established a model to ensure the broader community was informed of major issues and provided with an opportunity for appropriate input. In FY14, the format was revised and the Perth Airport Community Forum emerged as the preferred model of consultation. The PACF is independently chaired by the Chair of the Perth Airports' Municipalities Group, and its role and purpose is to exchange information on issues relating to airport operations and their impacts, and enable issues to be raised and discussed. The PACF is advertised in Community Newspapers, and community members are encouraged to attend.

Perth Airport has a collaborative approach to managing the environmental impact of our airport operations, keeping stakeholders informed through an Environment Consultative Group and Major Tenant Environment Forum.

The Perth Airport Environment Consultative Group (ECG) meets quarterly and includes representatives from Commonwealth, State, and Local governments as well as conservation groups, catchment groups and community members. The group discusses topics related to the environmental management of the Perth Airport estate.

The Perth Airport Major Tenant Environment Forum (MTEF) meets quarterly and brings together the major tenants of Perth Airport to inform and discuss relevant airport developments. It is also an opportunity for tenants to learn and work together to minimise the environmental impacts of their operations, and to facilitate improved environmental outcomes.

AIRCRAFT NOISE

As part of Perth Airport's ongoing consultation processes, we are committed to working with industry and relevant government agencies to positively influence the management of aircraft noise and its impacts on the community.

Since 1999, Perth Airport chaired the Aircraft Noise Management Consultative Committee (ANMCC). Following a review of the aircraft noise consultation structure in FY14, and identification of duplication in roles and responsibilities, the committee changed direction to a technical working group with responsibility for contributing to the successful management of the impact of aircraft noise. This group is chaired by Airservices Australia and includes representatives from Perth Airport and airline operators, and in its new form, better enables industry to initiate and evaluate operational changes, while ensuring that the noise impact of those changes is considered and opportunities to improve noise outcomes are explored.

In FY14, membership of the Perth Aircraft Noise Management Technical Working Group included:

- Airport Operator
- Perth Airport Pty Ltd
- Airline Operators
- Qantas Airways Limited
- Virgin Australia
- Cobham Aviation Services
- Alliance Aviation Services
- Commonwealth Government
- Airservices Australia

During FY14, we continued to work closely with industry to investigate and implement noise improvement initiatives. Significant progress was made to improve information available to the community on aircraft noise, including through new noise contour maps and an industry leading Aircraft Noise Information Portal.

As part of the 2014 Master Plan, Perth Airport developed new aircraft noise contour maps. These included an updated ultimate Australian Noise Exposure Forecast (ANEF), a 2013 Australian Noise Exposure Index (ANEI), an N65 noise contour for 2013 and an ultimate scenario N65 noise contour. These aircraft noise contour maps supersede those developed by Perth Airport as part of the 2009 Master Plan.

Ultimate ANEF.

A contour map that shows a forecast of aircraft noise levels that are expected to exist in the future.

ANEI.

A contour map that shows actual historical aircraft noise levels over a given period of time, generally one year.

N65

A 'number above' noise contour that illustrates the average number of noise events per day that exceed 65 decibels, which is considered to be the sound level at which conversation and other indoor activities can generally be disturbed.

As a land use-planning tool that aims to control encroachment on airports by noise sensitive buildings, the revised ultimate ANEF has been incorporated into State Government planning policy to restrict inappropriate development, mostly residential, in the vicinity of Perth Airport. Use of the revised ultimate ANEF should ensure appropriate development in areas surrounding the airport and, long term, that extensive aircraft noise exposure is mitigated and the ultimate capacity of the airport is safeguarded. The ultimate ANEF is revised every five years as part of Perth Airport's statutory master planning process.

The N65 noise contour map is widely recognised as a more effective tool to communicate the impact or exposure of aircraft noise to community members, as it better translates the number of noise events and sound level of single events, which are typically the two factors that determine how a person reacts to noise.

As part of Perth Airport's commitment to ensuring the community and key stakeholders are fully informed and aware of noise implication and flight paths, this year we developed an interactive web-based Aircraft Noise Information Portal. This tool, accessed through the Perth Airport website, sets a new standard in accessibility to information for community members. Through this portal, community members can view how flight paths, the ANEF and N65 contours apply to their property, or that of a property they may be looking to purchase or rent.

Throughout the year, Airservices Australia continued to work closely with the industry to identify opportunities to improve aircraft noise management, such as changes in flight paths or new approach procedures. As part of its environmental reporting requirements, Airservices Australia continues to operate the Noise and Flight Path Monitoring System (NFPMS) at major Australian airports.

The system collects noise and flight path data 24 hours a day, seven days a week via monitors located in communities. The Perth component of the NFPMS includes five permanent monitors located at Cannington, Queens Park, Greenmount, Guildford and Lathlain.

Additionally, Airservices Australia conducted monitoring in communities of particular interest or from which complaints have increased.

In FY14, short term noise monitoring reports were released for Glen Forrest, Manning, Stoneville, Bickley, Forrestfield, Roleystone, Scarborough, South Guildford and West Swan.

In FY14, the aviation industry continued to explore new procedures using satellite assisted flight navigation, such as implementing Continuous Descent Approaches and the potential use of Required Navigation Performance at Perth Airport.

Although Perth Airport has limited direct involvement in managing aircraft noise or the decisions relating to land use and development of noise sensitive areas around the airport, we are nonetheless committed to using our influence to ensure that the Perth community is well informed, and that noise improvement initiatives are investigated and implemented, where appropriate.

PERTH AIRPORT ANNUAL REPORT FINANCIALS 2014

DIRECTORS' REPORT

MR DAVID CRAWFORD
CHAIRMAN
PERTH AIRPORT PTY LTD

The directors present their report together with the consolidated annual report of Perth Airport Pty Ltd for the financial year ended 30 June 2014 and the auditor's report thereon.

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 Airport 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 Alan Good resigned 31 December 2013

Mr Alan Dundas

Mr Lyndon Rowe

Mr Richard Hoskins

Ms Wendy Norris - appointed 3 July 2013

Mr Colin Atkin - appointed 31 July 2013

Ms Shirley In't Veld
- appointed 26 September 2013

Mr Steven Fitzgerald
- appointed 27 February 2014

Mr Clive Appleton
- appointed 27 February 2014

Mr Ronald Doubikin - resigned 3 July 2013

Ms Suzanne Findlay
(alternate director to Lyndon Rowe)

Mr Matthew Lorback
(alternate director to Colin Atkin and Richard Hoskins) - appointed 31 July 2013

Mr Tom Snow
(alternate director to Shirley In't Veld)
- appointed 26 September 2013 (formerly a Director, resigned 26 September 2013)

Mr Phillip Walker
(alternate director to Steven Fitzgerald and Wendy Norris) - appointed 27 February 2014

Ms Rhoda Phillipo
(alternate director to Steven Fitzgerald and Wendy Norris) - appointed 27 February 2014

Mr Michael Weaver
(alternate director to Tom Snow)
- resigned 26 September 2013

Dr Raphael Arndt - resigned 17 February 2014

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 $7,117,000 (2013: $267,405,000).

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.

DIVIDENDS

Dividends declared and paid during the year ending 30 June 2014 were:

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
Interim ordinary dividend	0.30	44,000	Franked	31 December 2013
Final ordinary dividend	0.30	44,000	Franked	30 June 2014
		88,000		

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 and Regional Development and Local Government in October 2013 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 and an account of the actions undertaken in the implementation of PAPL's Environmental Management Framework.

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 Regulation in September 2013.

3. LAND DEVELOPMENT APPROVALS

All development approvals initiated in the year ending 30 June 2014 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 year ending 30 June 2014, none of which were assessed as having serious consequences and/or long-term impact on the environment.

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 Programme which details security systems, measures and procedures as appropriate.

The Board receives regular reports on compliance with security management requirements.

OCCUPATIONAL, SAFETY AND HEALTH MANAGEMENT

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 organisation that collectively contribute to establishing, improving, and maintaining occupational safety and health performance.

The policies have been operating for a number of years and allow 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 on 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 subcommittee 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 KPIs 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 2014.

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company held 100% of the ordinary shares in Perth Airport Investments Pty Ltd.

Perth Airport Investments Pty Ltd was incorporated in Australia and did not trade and held no assets or liabilities. On 16 July 2012, an application was made to ASIC to deregister Perth Airport Investments Pty Ltd.

Perth Airport Investments Pty Ltd was officially deregistered by ASIC on 11 March 2013.

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

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 27 August 2014.

DAVID CRAWFORD
CHAIRMAN
PERTH, WESTERN AUSTRALIA
27 AUGUST 2014

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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 2014, 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

ROBERT KIRKBY
PARTNER
PERTH
27 AUGUST 2014

CORPORATE GOVERNANCE STATEMENT

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.

THE BOARD OF DIRECTORS

The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term, and seek to balance these sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company and its controlled entities are properly managed.

The Board draws on relevant corporate governance principles, including the following, to assist it to contribute to the performance of the Company:

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

Consistent with better practice in corporate governance, the Board has adopted a Charter which outlines the functions of the Board and the processes it uses to fulfil its functions and otherwise advance the Company's interests. The Charter is reviewed annually by the Board.

Day to day management of the Company's affairs and implementation of the corporate strategy and policy initiatives are delegated by the Board to the Chief Executive Officer and 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 Key Management Personnel - 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.

Directors may delegate any of their powers, but not their responsibility to others. Delegations promote the effective functioning of the Board and Management, with a clear focus on performance.

The Charter contains the following instruments that clarify the operation of delegations:

- Matters Reserved for the Board;
- Board Committee Charters;
- Formal Delegations of Authority to the CEO.

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 undertakings of the Company or any of its assets.

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.

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 demonstrated financial competence (a qualified accountant or other finance professional with experience of financial or accounting matters). Two members of the ARC (at least one with a demonstrated financial competence) must be present to constitute a quorum.

The following directors are members of the ARC:

- Mr Alan Dundas (Chairman);
- Mr Alan Good – resigned 31 December 2013;
- Ms Wendy Norris;
- Mr Matthew Lorback;
- Ms Shirley In't Veld.

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 programme.
- 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;
- Ms Wendy Norris;
- Mr Colin Atkin

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

The Remuneration and Appointments Committee does not have power to make decisions on behalf of the Board. The Chairman of the Remuneration and Appointments Committee reports to the Board on matters addressed by the Remuneration and Appointments Committee and makes recommendations to the Board on behalf of the Remuneration and Appointments Committee.

Matters that the Remuneration and Appointments Committee specifically addresses:

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

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. Performance based bonuses are paid to senior executives and are based on pre-determined criteria. Performance is then measured against these criteria.

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 parent entity Perth Airport Development Group Pty Ltd.

Directors that are independent are remunerated directly by the Company. During the year $965,000 (2013: $906,000) 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") 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 Colin Atkin;
- Mr Clive Appleton;
- Mr Steven Fitzgerald;
- Mr Ronald Doubikin – resigned 3 July 2013.

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:

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

CORPORATE GOVERNANCE STATEMENT

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014	NOTES	CONSOLIDATED 2014 $'000	2013 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	20,079	47,658
Trade and other receivables	9	55,203	44,543
Prepayments	10	1,225	1,510
Other financial assets	11	8,340	7,116
Total Current Assets		84,847	100,827
NON-CURRENT ASSETS			
Capitalised lease	13	111,006	54,112
Investment property	14	877,368	981,848
Infrastructure, plant and equipment	15	1,024,317	803,604
Goodwill	16	443,598	443,598
Other intangible assets	16	5,844	6,336
Derivative financial instruments	22	-	5,828
Total Non-Current Assets		2,462,133	2,295,326
Total Assets		2,546,980	2,396,153
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	49,544	44,373
Employee benefit liabilities	18	4,882	5,291
Deferred revenue	21	1,024	1,474
Income tax payable	30(vi)	2,906	2,479
Interest-bearing loans & borrowings	19	-	99,939
Total Current Liabilities		58,356	153,556
NON-CURRENT LIABILITIES			
Interest-bearing loans & borrowings	19	1,506,426	1,213,110
Employee benefit liabilities	20	513	508
Deferred revenue	21	19,871	20,895
Derivative financial instruments	22	53,443	58,426
Deferred tax liabilities	23	275,165	287,481
Total Non-Current Liabilities		1,855,418	1,580,420
Total Liabilities		1,913,774	1,733,976
NET ASSETS		633,206	662,177
EQUITY			
Contributed equity	24	161,865	161,865
Reserves		6,560	(45,352)
Retained earnings		464,781	545,664
TOTAL EQUITY		633,206	662,177

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014	NOTES	CONSOLIDATED 2014 $'000	2013 $'000
PROFIT OR LOSS			
Revenue from continuing operations	2(a)	436,632	407,936
Change in fair value of investment property	2(c)	(54,896)	250,406
Operating expenses	3(a)	(154,007)	(138,042)
EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTISATION		227,729	520,300
Finance revenue	2(b)	11,331	29,608
Finance expenses	3(b)	(188,731)	(130,596)
Depreciation	3(c)	(36,864)	(36,100)
Amortisation	3(d)	(1,875)	(1,809)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		11,590	381,403
Income tax expense	5	(4,473)	(113,998)
PROFIT FROM CONTINUING OPERATIONS AFTER INCOME TAX		7,117	267,405
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement of cash flow hedges	4	63,663	6,967
Income tax on items that may be reclassified to profit or loss	5	(19,099)	(2,090)
NET OTHER COMPREHENSIVE TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		44,564	4,877
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of capitalised lease - operational land	24(a)	10,497	-
Income tax on items that may not be reclassified to profit or loss	5	(3,149)	-
NET OTHER COMPREHENSIVE NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		7,348	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		51,912	4,877
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		59,029	272,282

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

STATEMENT OF CHANGES IN EQUITY

						CONSOLIDATED
FOR THE YEAR ENDED 30 JUNE 2014	NOTES	CONTRIBUTED EQUITY	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL
		$'000	$'000	$'000	$'000	$'000
BALANCE AT 30 JUNE 2012		161,865	362	(50,591)	360,259	471,895
Profit for the period		-	-	-	267,405	267,405
Other comprehensive income		-	-	4,877	-	4,877
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	4,877	267,405	272,282
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
Ordinary shares issued	24	-	-	-	-	-
Dividends paid	7	-	-	-	(82,000)	(82,000)
BALANCE AT 30 JUNE 2013		161,865	362	(45,714)	545,664	662,177
Profit for the period		-	-	-	7,117	7,117
Other comprehensive income		-	7,348	44,564	-	51,912
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	7,348	44,564	7,117	59,029
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
Ordinary shares issued	24	-	-	-	-	-
Dividends paid	7	-	-	-	(88,000)	(88,000)
BALANCE AT 30 JUNE 2014		161,865	7,710	(1,150)	464,781	633,206

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

STATEMENT OF CASH FLOWS

		CONSOLIDATED	
FOR THE YEAR ENDED 30 JUNE 2014	NOTES	2014	2013
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		441,896	422,059
Cash paid to suppliers and employees		(154,646)	(139,039)
Interest received		2,882	16,973
Income tax paid		(38,612)	(33,978)
Net cash flows from operating activities	28	251,520	266,015
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles	16	(1,382)	(319)
Proceeds from sale of infrastructure, plant and equipment		180	158
Purchase of investment property, infrastructure, plant and equipment		(273,075)	(243,013)
Net cash flows used in investing activities		(274,277)	(243,174)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - syndicated facility agreement A		100,000	-
Proceeds from borrowings - syndicated facility agreement B		81,000	-
Proceeds from borrowings - fixed $A Medium Term Note		550,000	-
Proceeds from borrowings - floating $A Medium Term Note		100,000	-
Proceeds from borrowings - syndicated facility agreement 1		30,000	-
Proceeds from borrowings - syndicated facility agreement 2		216,500	150,000
Proceeds from borrowings - syndicated facility agreement 3		3,500	-
Proceeds from borrowings - USPP - Series A		-	48,530
Proceeds from borrowings - USPP - Series B		-	77,647
Proceeds from borrowings - USPP - Series C		-	135,883
Proceeds from borrowings - USPP - Series D		-	30,000
Repayment of borrowings - bond issue 7 years		(100,000)	-
Repayment of borrowings - syndicated facility tranche 1		(345,000)	-
Repayment of borrowings - syndicated facility tranche 2		(430,000)	(236,500)
Repayment of borrowings - syndicated facility tranche 3		(3,500)	(88,500)
(Repayment) / proceeds from borrowings - PAPT related party loan		(38)	-
Dividends paid	7	(88,000)	(82,000)
Interest paid - interest rate swap termination costs	3(b)	(20,816)	-
Interest paid		(98,468)	(85,245)
Net cash flows used in financing activities		(4,822)	(50,185)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(27,579)	(27,344)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		47,658	75,002
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	8	20,079	47,658

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

01 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

(A) REPORTING ENTITY

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 2014 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").

On 16 July 2012, an application was made to ASIC to deregister Perth Airport Investments Pty Ltd. Perth Airport Investments Pty Ltd was officially deregistered by ASIC on 11 March 2013.

(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 27 August 2014.

(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 and presentation 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 affect the application of policies and reported amounts of assets, liabilities, equity, revenue, expenses, and the accompanying disclosures, and the disclosure of contingent liabilities.

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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

01

(D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group uses derivative financial instruments, such as currency swaps and interest rate swaps, 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 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 profit or loss and 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.

(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.

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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 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 though 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 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.

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.

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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. 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.

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Borrowing costs are those costs that would have been avoided if the expenditure on the qualifying assethad 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

(F) INVESTMENT PROPERTY

Investment property is properties which are held either to earn rental income or capital appreciation or both. Investment property comprises investment buildings, investment land, and ground leases and licenses.

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.

All investment properties are located in Australia.

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.

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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 a 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.

All infrastructure, plant and equipment is located in Australia.

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.

All other computer software is recognised as an intangible asset.

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 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:

	2014	2013
Plant & equipment	5.00 - 33.00%	5.00 - 33.00%
Buildings	1.01 - 15.00%	1.01 - 15.00%
Fixed plant & equipment	5.00 - 15.00%	5.00 - 15.00%
Runways, taxiways & 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

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the profit and loss. Any gain arising on re-measurement 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.

(ix) 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 meet the definition of investment property may be classified as investment property on a property-by-property basis.

(x) 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 investment properties designated for sale. Assets held for sale are stated at fair value in accordance with the Group policy on investment property. These are not amortised or depreciated. Losses arising from changes in the fair value adjustments arising from independent revaluations are charged to the profit or 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.

All intangible assets are located in Australia.

(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

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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 or cash generating unit's ("CGU") recoverable amount is the higher of an asset's or 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 CGU's 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.

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, car rental concessions, ground transport services and traffic management.

(iv) Property revenue comprises rental income from Company owned terminals and buildings, and long-term leases of land and other leased assets. Rental income from operating leases of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

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 hedge accounting, and impairment losses recognised on financial assets.

All borrowing costs, expect capitalised borrowing costs as outlined in note 1(e) (ii.v) 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 AustralianSuper 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(f)).

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.

(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.

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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 arising from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(i) Infrastructure, plant and equipment

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

(ii) Intangible assets

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

(iii) Investment property

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 2014. 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.

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(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 Airport 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 firefighting services at the airports.

Obligations imposed by the Airports Act include the following:

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

(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 July 2013 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. Several other amendments apply for the first time in from 1 July 2013. However these do not impact the annual financial statements.

All other accounting policies adopted are consistent with those of the previous financial year.

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(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

REFERENCE	TITLE	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR COMPANY*
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 this and other standards via AASB 2011-7 and AASB 2012-10.	1 January 2013	1 July 2013
AASB 12	**DISCLOSURE OF INTERESTS IN OTHER ENTITIES** 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, structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	**FAIR VALUE MEASUREMENT** 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. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of financial liabilities. 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. Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 14 and Note 25. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 July 2013
AASB 119	**EMPLOYEE BENEFITS** 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 recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard also 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.	1 January 2013	1 July 2013
AASB 2012-2	**AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - DISCLOSURES - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES** AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	1 July 2013

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(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

REFERENCE	TITLE	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR COMPANY*
AASB 2012-5	**AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM ANNUAL IMPROVEMENTS 2009-2011 CYCLE** AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: Repeat application of AASB 1 is permitted (AASB 1) Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). The amendments to AASB 101 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.	1 January 2013	1 July 2013
AASB 2012-9	**AMENDMENT TO AASB 1048 ARISING FROM THE WITHDRAWAL OF AUSTRALIAN INTERPRETATION 1039** AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	1 January 2013	1 July 2013
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. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 July 2013

* Designates the beginning of the applicable annual reporting period.

(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 Company for the annual reporting period ending 30 June 2014, outlined in the table below:

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(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR COMPANY*	IMPACT ON COMPANY FINANCIAL REPORT
AASB 2012-3	AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014	No impact on the Company.
INTERPRETATION 21	LEVIES	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014	No impact on the Company.
AASB 9	FINANCIAL INSTRUMENTS	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. 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. (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. (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. (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. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ➤ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ➤ The remaining change is presented in profit or loss 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. 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. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: • New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures • Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time • In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018.	1 January 2018^	1 July 2018^	The new hedge accounting requirements within the standard will provide greater flexibility to use hedge accounting to hedge interest rate risk in cash flow hedges.
AASB 2013-3	AMENDMENTS TO AASB 136 – RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014	No impact on the Company.

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(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR COMPANY*	IMPACT ON COMPANY FINANCIAL REPORT
AASB 2013-4	AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	1 July 2014	No impact on the Company.
AASB 2013-5	AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – INVESTMENT ENTITIES [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	1 July 2014	No impact on the Company.
AASB 2013-7	AMENDMENTS TO AASB 1038 ARISING FROM AASB 10 IN RELATION TO CONSOLIDATION AND INTERESTS OF POLICYHOLDERS [AASB 1038]	AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.	1 January 2014	1 July 2014	No impact on the Company.
ANNUAL IMPROVEMENTS 2010–2012 CYCLE **	ANNUAL IMPROVEMENTS TO IFRSS 2010–2012 CYCLE	This standard sets out amendments to International Financial Reporting Standards (IFRS) 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. The following items are addressed by this standard: IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 July 2014	No impact on the Company.

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(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR COMPANY*	IMPACT ON COMPANY FINANCIAL REPORT
ANNUAL IMPROVEMENTS 2011–2013 CYCLE **	**ANNUAL IMPROVEMENTS TO IFRSS 2011–2013 CYCLE**	This standard sets out amendments to International Financial Reporting. Standards (IFRS) 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. The following items are addressed by this standard: IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.	1 July 2014	1 July 2014	No impact on the Company.
AASB 1031	**MATERIALITY**	The revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework* (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	1 July 2014	No impact on the Company.
AASB 2013-9	**AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – CONCEPTUAL FRAMEWORK, MATERIALITY AND FINANCIAL INSTRUMENTS**	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting into AASB 9 Financial Instruments.*	The application dates of AASB 2013-9 are as follows: Part A - periods ending on or after 20 Dec 2013 - Application date for the Group is period ending 30 June 2014. Part B - periods beginning on or after 1 January 2014 -Application date for the Group is period beginning 1 July 2014. Part C - reporting periods beginning on or after 1 January 2015 - Application date for the Group is period beginning 1 July 2015.	The application dates of AASB 2013-9 are as follows: Part A - periods ending on or after 20 Dec 2013 - Application date for the Group is period ending 30 June 2014. Part B - periods beginning on or after 1 January 2014 -Application date for the Group is period beginning 1 July 2014. Part C - reporting periods beginning on or after 1 January 2015 - Application date for the Group is period beginning 1 July 2015.	No impact on the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR COMPANY*	IMPACT ON COMPANY FINANCIAL REPORT
IFRS 14 **	**INTERIM STANDARD ON REGULATORY DEFERRAL ACCOUNTS**	This interim standard provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. It is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with entities that already apply IFRS, but do not recognise regulatory deferral accounts.	1 January 2016	1 July 2016	No impact on the Company.
AMENDMENTS TO IAS 16 AND IAS 38**	**CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION (AMENDMENTS TO IAS 16 AND IAS 38)**	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016	No impact on the Company.
IFRS 15 **	**REVENUE FROM CONTRACTS WITH CUSTOMERS**	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 January 2017	1 July 2017	The new standard is not expected to differ from the existing revenue recognition policies.

* Designates the beginning of the applicable annual reporting period unless otherwise stated.
** These IFRS amendments have not yet been adopted by the AASB.
In order to claim compliance with IFRS, these amendments are required to be noted in the financial statements.

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NOTE 2. REVENUES

	NOTES	2014	2013
		$'000	$'000
(A) REVENUE FROM CONTINUING OPERATIONS			
Aeronautical charges		188,122	162,463
Trading revenue		53,804	49,840
Ground transport services		82,217	75,422
Investment property rentals		67,367	62,375
Net gain on premium leasing		1,418	17,787
Recharge property services		41,660	37,974
Other revenue		2,003	2,048
Net gain on disposal of property, plant and equipment		41	27
		436,632	407,936
(I) REVENUE FROM EXTERNAL CUSTOMERS			
Australia		436,632	407,936
		436,632	407,936
The revenue information above is based on the domiciled location of the customer.			
(B) FINANCE REVENUE			
Interest income		2,885	17,783
Fair value gain on cross currency swaps at fair value through profit or loss		-	3,977
Fair value gain on interest rate swaps at fair value through profit or loss		-	5,379
Cash flow hedge ineffectiveness		-	2,469
Foreign currency USPP translation gain		8,446	-
		11,331	29,608
(C) OTHER (LOSS) / INCOME			
Fair value (loss) / gain adjustment to investment land	14	(41,408)	63,023
Fair value (loss) / gain adjustment to investment buildings	14	(6,698)	9,536
Fair value (loss) / gain adjustment to ground leases & licenses	14	(6,790)	177,847
Fair value (loss) / gain adjustment to investment property		(54,896)	250,406

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NOTE 3. EXPENSES

	NOTES	2014	2013
		$'000	$'000
(A) OPERATING EXPENSES			
Employee expenses		35,809	32,729
Defined contribution superannuation expense		3,548	2,924
Services and utilities		86,793	74,457
Office overheads		18,534	19,755
Doubtful debts expense	9	350	-
Bad debts written off / (recovered)		(79)	(77)
Maintenance expenses		8,399	7,857
Capitalised lease - operational land	13	653	397
		154,007	138,042
(B) FINANCE EXPENSES			
Senior debt interest expense		88,038	72,667
Subordinated shareholder loan		14,556	16,122
Other		811	811
Interest rate swap termination costs		20,816	-
Interest rate swap amortisation	24(b)	7,008	8,167
Fair value loss on interest rate swaps at fair value through profit or loss		41,770	-
Fair value loss on cross currency swaps at fair value through profit or loss		11,306	-
Cash flow hedge ineffectiveness		4,426	-
Foreign currency USPP translation loss		-	32,829
Total Finance expenses		188,731	130,596
(C) DEPRECIATION			
Plant and equipment		3,155	2,931
Leased: Buildings		8,434	6,843
Fixed plant and equipment		7,668	8,346
Runways, taxiways and aprons		5,421	6,274
Other infrastructure		12,186	11,706
Total Depreciation	15	36,864	36,100
(D) AMORTISATION OF INTANGIBLES			
Capitalised master plan costs	16	494	563
Other intangible assets	16	1,381	1,246
Total Amortisation of intangibles		1,875	1,809

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NOTE 4. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	NOTES	2014	2013
		$'000	$'000
CASH FLOW HEDGES:			
Net change in fair value of interest rate swaps	24(b)	30,643	24,812
De-designation of interest rate swaps	24(b)	(1,935)	(26,012)
Hedges closed out	24(b)	27,947	-
Amortisation of interest rate swaps retained in reserve	24(b)	7,008	8,167
Net movement of cash flow hedges		63,663	6,967

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NOTE 5. INCOME TAX EXPENSE

	NOTES	2014	2013
		$'000	$'000
THE MAJOR COMPONENTS OF INCOME TAX EXPENSE ARE:			
Profit and loss			
Current income tax charge		(37,126)	(43,568)
Adjustments in respect of current income tax of previous years		1,006	(3)
Deferred income tax*	23	31,647	(70,427)
Income tax benefit / (expense) reported in profit and loss		(4,473)	(113,998)

** 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:

	NOTES	2014	2013
Accounting profit before income tax from continuing operations		11,590	381,403
At the statutory income tax rate of 30% (2013: 30%)		(3,477)	(114,421)
Adjustments in respect of current income tax of previous years		1,006	(3)
Non-deductible / (non-assessable) items		(2,002)	426
Income tax expense reported in profit and loss		(4,473)	(113,998)
STATEMENT OF CHANGES IN EQUITY			
Current income tax related to items charged directly to equity in respect of net gain on revaluation of cash flow hedges		(19,099)	(2,090)
Current income tax related to items charged directly to equity in respect of revaluation of capitalised lease - operational land		(3,149)	-
Income tax benefit / (expense) reported in equity	23	(22,248)	(2,090)

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

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NOTE 6. AUDITOR'S REMUNERATION

The following non-audit services were provided by the Company'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.

	2014	2013
	$	$
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	141,592	155,185
• Assurance related review - EMTN issuance	144,419	-
• Other assurance services - precinct outgoing audits	29,300	51,550
• Other services in relation to the entity and any other entity in the Company		
- Tax compliance services	29,620	32,000
- Other taxation consulting services	31,680	108,728
	376,611	347,463
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
• Taxation services provided by Ernst & Young Law	-	37,350
	376,611	384,813

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NOTE 7. DIVIDENDS PAID AND PROPOSED

Dividends declared and paid during the year ending 30 June 2013:

	DOLLARS PER SHARE	TOTAL AMOUNT	FRANKED / UNFRANKED	DATE OF PAYMENT
		$'000		
Interim ordinary dividend	0.28	41,000	Franked	31 December 2012
Final ordinary dividend	0.28	41,000	Franked	28 June 2013
		82,000		

Dividends declared and paid during the year ending 30 June 2014:

	DOLLARS PER SHARE	TOTAL AMOUNT	FRANKED / UNFRANKED	DATE OF PAYMENT
		$'000		
Interim ordinary dividend	0.30	44,000	Franked	31 December 2013
Final ordinary dividend	0.30	44,000	Franked	30 June 2014
		88,000		

Franked dividends paid during the year ending 30 June 2014, and during the year ending 30 June 2013, were franked at the tax rate of 30%. There have been no dividends proposed or declared after the balance sheet date.

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NOTE 7. DIVIDENDS PAID AND PROPOSED (CONTINUED)

	2014	2013
	$'000	$'000
FRANKING CREDIT BALANCE		
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%	900	2
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	2,906	2,479
The amount of franking credits / (debits) available for future reporting periods	3,806	2,481

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NOTE 8. CASH AND CASH EQUIVALENTS

	2014	2013
	$'000	$'000
Cash at bank and on hand	20,079	47,658

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 $nil (2013: $19,236,000) attributable to the Debt Service Reserve Account ("DSRA"). The new Syndicated Facility Agreement dated 23 May 2014 replaced the requirement for the Group to maintain the DSRA.

Cash at bank and on hand includes an amount of $212,000 (2013: $133,000) 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.

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NOTE 9. TRADE AND OTHER RECEIVABLES

	NOTES	2014	2013
		$'000	$'000
Trade receivables	25(b)(1)(i)	44,829	36,130
Allowance for impairment loss	(a)	(350)	-
		44,479	36,130
Accrued revenue		6,200	5,273
Net GST receivable		622	-
Other receivables	(b)	933	257
Related party loan - Perth Airport Property Trust	30(iii)	20	-
Related party loan - PAPT Holdings Pty Ltd	30(iv)	18	-
Cross currency swaps net interest receivable		2,931	2,883
		55,203	44,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

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NOTE 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 25.

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 day terms. An allowance for impairment loss 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	2014	2013
		$'000	$'000
At 1 July		-	-
Provision for impairment recognised during the year	3	350	77
Receivables written off during the year as uncollectible		-	(77)
At 30 June		350	-

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

		0-30 DAYS	0-30 DAYS	31-60 DAYS	31-60 DAYS	61-90 DAYS	61-90 DAYS	+91 DAYS	+91 DAYS
	TOTAL		CI*	PDNI*	CI*	PDNI*	CI*	PDNI*	CI*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2014	44,479	14,247	-	22,164	-	4,282	-	3,436	350
2013	36,130	17,033	-	17,137	-	1,309	-	651	-

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

Trade receivables past due but not impaired are $29,882,000 (2013: $19,098,000). 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.

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NOTE 10. PREPAYMENTS

	2014	2013
	$'000	$'000
Refinancing establishment cost	-	360
Other prepayments	1,225	1,150
	1,225	1,510

Refinancing establishment costs relate to upfront incremental borrowing costs arising from execution of new interest-bearing loans and borrowings which settled post balance sheet date.

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NOTE 11. OTHER FINANCIAL ASSETS

	2014	2013
	$'000	$'000
Security deposits	388	383
Operating lease receivable	7,952	6,733
	8,340	7,116

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.

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NOTE 12. INVESTMENT IN SUBSIDIARY

The Company held 100% of the ordinary shares in Perth Airport Investments Pty Ltd. Perth Airport Investments Pty Ltd was incorporated in Australia and did not trade and held no assets or liabilities. On 16 July 2012, an application was made to ASIC to deregister Perth Airport Investments Pty Ltd. Perth Airport Investments Pty Ltd was officially deregistered by ASIC on 11 March 2013.

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NOTE 13. CAPITALISED LEASE – OPERATIONAL LAND

	NOTES	2014	2013
		$'000	$'000
Carrying amount at 1 July		54,112	33,209
Transfer from investment land	14	55,600	21,300
Transfer from ground leases and licenses	14	2,060	-
Revaluation of operational land transferred to Investment Property	24(a)	10,497	-
Transfer to investment land	14(iv)	(6,550)	-
Transfer to ground leases and licenses	14(v)	(4,060)	-
Amortisation expense	3(a)	(653)	(397)
Carrying amount at 30 June		111,006	54,112

Transfer from investment land represents a change in use from englobo investment land to land held for operational requirements. The deemed cost of the operational 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 amortised over the period of the lease (including the option renewal term) on a straight line basis.

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NOTE 14. INVESTMENT PROPERTY – AT VALUATION

	NOTES	2014	2013
		$'000	$'000
INVESTMENT LAND - AT VALUATION			
Carrying amount at 1 July		398,850	371,100
Premium lease disposals	(ii)	(17,892)	(13,973)
Transfer to operational land	13, (iii)	(55,600)	(21,300)
Transfer from operational land	(iv)	6,550	-
Revaluation (decrements)/increments	2(c)	(41,408)	63,023
Carrying amount at 30 June		290,500	398,850
GROUND LEASES AND LICENSES - AT VALUATION			
Carrying amount at 1 July		207,120	29,339
Transfer to operational land	13	(2,060)	-
Transfer from operational land	(v)	4,060	-
Premium lease disposals	(ii)	-	(66)
Revaluation (decrements)/increments	2(c)	(6,790)	177,847
Carrying amount at 30 June		202,330	207,120
INVESTMENT BUILDINGS - AT VALUATION			
Carrying amount at 1 July		363,050	352,330
Investment buildings constructed - subsequent expenditure	15	15,608	1,184
Revaluation (decrements)/increments	2(c)	(6,698)	9,536
Carrying amount at 30 June		371,960	363,050
INVESTMENT BUILDINGS UNDER CONSTRUCTION – AT COST			
New investment buildings under construction - at cost		12,408	12,666
Borrowing costs capitalised - new investment buildings under construction	(i)	170	162
Carrying amount at 30 June		12,578	12,828
TOTAL INVESTMENT PROPERTIES AT FAIR VALUE		877,368	981,848

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

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.

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.

(i) During the year borrowing costs were capitalised on the construction of investment buildings. Borrowing costs were capitalised at a weighted average interest rate of 6.60% (2013: 6.56%).

NOTE 14. INVESTMENT PROPERTY – AT VALUATION (CONTINUED)

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(ii) During the year ending 30 June 2014, the Company entered into four (2013: three) separate Board approved premium leasing transactions which resulted in seven (2013: two) disposals of investment land with a carrying value of $17,892,000 (2013: $13,973,000) and the disposal of nil (2013: one) ground lease with a carrying value of nil (2013: $66,000).

(iii) During the year investment land with carrying value of $55,600,000 (2013: $21,300,000) was transferred to operational land. This transfer primarily reflects a change in intended use for construction of new operational car parks on land that was previously classified as englobo investment land.

(iv) During the year operational land with a carrying value of $75,000 was transferred to investment land. The land was subsequently valued at $6,550,000 at the date of transfer, with the revaluation increase of $6,475,000 being the difference at the date of transfer between the carrying amount and its fair value recognised in asset revaluation reserve. This transfer primarily reflects a change in intended use for previously designated operational land that is now classified as investment land.

(v) During the year operational land with a carrying value of $38,000 was transferred to ground leases and license. The carrying value of $4,060,000 was transferred to ground leases and license, the revaluation increase of $4,022,000 being the difference at the date of transfer between the carrying amount and its fair value is recognised in asset revaluation reserve. This transfer primarily reflects a change in intended use for future operational car parks on land that was previously held as investment land.

The following table provides the fair value measurement hierarchy of the company's investment properties as at 30 June 2014.

	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
	$'000	$'000	$'000	$'000
INVESTMENT PROPERTY AT FAIR VALUE				
Investment land	-	-	290,500	290,500
Ground leases and licenses	-	-	202,330	202,330
Investment buildings	-	-	371,960	371,960
	-	-	864,790	864,790

The following table provides a description of valuation techniques used and key inputs to valuation on investment properties:

	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE
Investment land	Direct comparison approach	Analysis of market activity site rates	Low: $215/m² - $402/ m² High: $579/m² - $651/m²
Ground leases and licenses	Income capitalisation	Capitalisation rate	7.25% - 7.75%
Investment buildings	Income capitalisation	Capitalisation rate	5.75% - 10.50%

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NOTE 14. INVESTMENT PROPERTY – AT VALUATION (CONTINUED)

LEASING ARRANGEMENTS

The Group enters into commercial property leases on its investment property portfolio, comprising of premium leases (refer to note 1(m)(iv) and commercial operating leases. Commercial operating leases are classified as operating leases based on the evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, and characterised by retaining all the significant risks and rewards of ownership of these properties. Commercial operating leases of investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on commercial operating leases of investment properties are as follows:

	2014	2013
	$'000	$'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	59,546	56,877
Later than one year but not later than 5 years	170,252	180,679
Later than 5 years	73,214	84,588
	303,012	322,144

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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 $9,361,000 (2013: $2,396,000) which were capitalised at a weighted average interest rate of 6.60% (2013: 6.56%).

NOTE 15. INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)

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	INFRASTRUCTURE ASSETS UNDER LEASE							
	PLANT AND EQUIPMENT	BUILDINGS	FIXED PLANT AND EQUIPMENT	RUNWAYS, TAXIWAYS AND APRONS	OTHER INFRA-STRUCTURE	TOTAL INFRA-STRUCTURE ASSETS UNDER LEASE	ASSETS UNDER CONSTRUCTION	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROSS CARRYING VALUE AT COST - 1 JULY 2012	21,726	113,855	81,385	130,012	204,520	529,772	173,979	725,477
Additions	-	-	-	-	-	-	232,660	232,660
Transfers - capitalised work in progress	8,954	101,645	39,035	43,964	40,018	224,662	(233,616)	-
Transfers - investment properties	-	-	-	-	-	-	(1,184)	(1,184)
Disposals	(576)	-	-	-	-	-	(317)	(893)
GROSS CARRYING VALUE - 30 JUNE 2013	30,104	215,500	120,420	173,976	244,538	754,434	171,522	956,060
ACCUMULATED DEPRECIATION - 1 JULY 2012	(11,197)	(31,933)	(26,142)	(20,025)	(27,478)	(105,578)	-	(116,775)
Depreciation charge for the year	(2,931)	(6,843)	(8,346)	(6,274)	(11,706)	(33,169)	-	(36,100)
Disposals	419	-	-	-	-	-	-	419
ACCUMULATED DEPRECIATION - 30 JUNE 2013	(13,709)	(38,776)	(34,488)	(26,299)	(39,184)	(138,747)	-	(152,456)
CARRYING VALUE 1 JULY 2012	10,529	81,922	55,243	109,987	177,042	424,194	173,979	608,702
CARRYING VALUE 30 JUNE 2013	16,395	176,724	85,932	147,677	205,354	615,687	171,522	803,604

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NOTE 15. INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)

	INFRASTRUCTURE ASSETS UNDER LEASE							
	PLANT AND EQUIPMENT	BUILDINGS	FIXED PLANT AND EQUIPMENT	RUNWAYS, TAXIWAYS AND APRONS	OTHER INFRA-STRUCTURE	TOTAL INFRA-STRUCTURE	ASSETS UNDER CONSTRUCTION	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROSS CARRYING VALUE AT COST - 1 JULY 2013	30,104	215,500	120,420	173,976	244,538	754,434	171,522	956,060
ADDITIONS	-	-	-	-	-	-	273,305	273,305
TRANSFERS - CAPITALISED WORK IN PROGRESS	1,665	438	2,294	7,514	24,842	35,088	(36,753)	-
TRANSFERS - INVESTMENT PROPERTIES	-	-	-	-	-	-	(15,608)	(15,608)
DISPOSALS	(746)	-	-	-	-	-	-	(746)
GROSS CARRYING VALUE - 30 JUNE 2014	31,023	215,938	122,714	181,490	269,380	789,522	392,466	1,213,011
ACCUMULATED DEPRECIATION - 1 JULY 2013	(13,709)	(38,776)	(34,488)	(26,299)	(39,184)	(138,747)	-	(152,456)
DEPRECIATION CHARGE FOR THE YEAR	(3,155)	(8,434)	(7,668)	(5,421)	(12,186)	(33,709)	-	(36,864)
DISPOSALS	626	-	-	-	-	-	-	626
ACCUMULATED DEPRECIATION - 30 JUNE 2014	(16,238)	(47,210)	(42,156)	(31,720)	(51,370)	(172,456)	-	(188,694)
CARRYING VALUE 1 JULY 2013	16,395	176,724	85,932	147,677	205,354	615,687	171,522	803,604
CARRYING VALUE 30 JUNE 2014	14,785	168,728	80,558	149,770	218,010	617,066	392,466	1,024,317

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NOTE 16. GOODWILL AND OTHER INTANGIBLE ASSETS

	NOTES	2014	2013
		$'000	$'000
GOODWILL	(a)	443,598	443,598
CAPITALISED MASTER PLAN COSTS			
Opening balance		2,428	2,428
Gross carrying value at 30 June		2,428	2,428
Accumulated amortisation at 1 July		1,935	1,372
Amortisation expense	3(d)	494	563
Accumulated amortisation at 30 June		2,428	1,935
Net carrying value at 30 June		-	494
OTHER INTANGIBLE ASSETS			
Opening balance	(b), (e)	21,722	21,657
Occupational Safety and Health System Management System	(d)	859	-
Software	(c)	523	319
Software licenses derecognised	(c)	(480)	(254)
Gross carrying value at 30 June		22,624	21,722
Accumulated amortisation at 1 July		15,879	14,887
Amortisation expense	3(d)	1,381	1,246
Amortisation derecognised		(480)	(254)
Accumulated amortisation at 30 June		16,780	15,879
Net carrying value at 30 June		5,844	5,843
TOTAL OTHER INTANGIBLE ASSETS		5,844	6,336

(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 (to business segments within the company) is extremely arbitrary. This approach is consistent with prior year practice and the airport industry. 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.

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NOTE 16. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

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:

- 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 11.8% to 12.5% (2013: 12.1% to 12.8%).

Calculations to test for impairment of goodwill and other intangible assets with indefinite useful lives, have resulted in no impairment of goodwill and other intangible assets with indefinite useful lives since their respective acquisition dates. On this basis it is appropriate to continue to carry goodwill at the same value it was initially booked on acquisition date. There is also sufficient excess of the recoverable amount compared to the carrying amount that goodwill and other intangible assets with indefinite useful lives 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.

(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) OSH MANAGEMENT SYSTEM

Occupational safety and health management system is carried at cost less accumulated amortisation and accumulated impairment losses. OSH management system is amortised using the straight line method over its 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.

(E) 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.

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NOTE 17. TRADE AND OTHER PAYABLES

	NOTES	2014	2013
		$'000	$'000
Trade payables - unsecured		11,021	10,695
Bond issue - 7 years - net interest payable		-	377
Bond issue - 10 years - net interest payable		883	905
Syndicated facility - Tranche A interest payable		296	-
Syndicated facility - Tranche B interest payable		191	-
$A medium term note interest payable		9,821	-
Syndicated facility - Tranche 1 interest payable		-	2,008
Syndicated facility - Tranche 2 interest payable		-	1,433
United States Private Placement - Series A, B and C interest payable		5,778	5,949
United States Private Placement - Series D interest payable		952	952
Interest rate swaps - net interest payable		1,485	2,481
Accrued borrowing expenses		286	706
Other creditors - unsecured		18,203	16,106
Security deposits	8, 11	600	516
Retentions withheld		28	28
Net GST payable		-	2,217
		49,544	44,373

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.

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NOTE 18. EMPLOYEE BENEFIT LIABILITIES

	2014	2013
	$'000	$'000
ANNUAL LEAVE AND LONG SERVICE LEAVE		
CURRENT		
Annual Leave	3,098	3,306
Long Service Leave	1,784	1,985
TOTAL	4,882	5,291

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NOTE 19. INTEREST-BEARING LOANS & BORROWINGS

	NOTES	2014	2013
		$'000	$'000
CURRENT BORROWINGS			
Bond Issue - 7 Years	(i)	-	99,939
TOTAL CURRENT INTEREST-BEARING LOANS & BORROWINGS		-	99,939
NON-CURRENT BORROWINGS			
Senior Secured Debt			
Bond Issue - 10 Years	(ii)	239,345	239,068
Syndicated facility - Tranche A	(iii)	99,532	-
Syndicated facility - Tranche B	(iv)	78,878	-
$A Medium Term Note - Fixed Income Bond $150m	(x)	148,835	-
$A Medium Term Note - Fixed Income Bond $400m	(xi)	394,344	-
$A Medium Term Note - Floating Bond $100m	(xii)	99,702	-
Syndicated facility - Tranche 1	(xiii)	-	312,547
Syndicated facility - Tranche 2	(xiv)	-	210,608
Syndicated facility - Tranche 3	(xv)	-	(3,051)
Working capital facility	(v)	(73)	(101)
United States Private Placement - Series A	(vi)	52,760	54,289
United States Private Placement - Series B	(vii)	84,397	86,853
United States Private Placement - Series C	(viii)	147,662	151,976
United States Private Placement - Series D	(ix)	29,833	29,812
		1,375,215	1,082,001
Subordinated Unsecured Debt			
Subordinated shareholder loans	(xvi)	131,211	131,109
		131,211	131,109
TOTAL NON-CURRENT INTEREST-BEARING LOANS & BORROWINGS		1,506,426	1,213,110
TOTAL INTEREST-BEARING LOANS & BORROWINGS		1,506,426	1,313,049

(A) TERMS AND CONDITIONS OF INTEREST-BEARING LOANS & BORROWINGS

(i) The 7 year bond facility of $100m, placed in November 2006, has a period of maturity of seven years ending 11 November 2013. 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 2014 was nil (2013: 3.0300%), being BBSW of nil (2013: 2.8100%) plus a margin of 0.22%, and is paid quarterly. Interest on the hedged facility is also paid quarterly. On 11 November 2013, PAPL repaid the 7 year bond facility of $100m. All directly incremental transaction costs arising from the cancellation were expensed as incurred.

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NOTE 19. INTEREST-BEARING LOANS & BORROWINGS (CONTINUED)

(ii) 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 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 2014 was 2.9367% (2013: 3.0600%), being BBSW of 2.6867% (2013: 2.8100%) plus a margin of 0.25%, and is paid quarterly. Interest on the hedged facility is also paid quarterly.

(iii) The syndicated facility tranche A represents a fully drawn $100m 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 A is an interest only facility with the principal payable on the maturity date of 3 June 2017. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 1.15%. The interest rate charged on this facility at 30 June 2014 was 3.8567%, being BBSY of 2.7067% plus a margin of 1.15%. The margin is dependent on the long term credit rating of PAPL.

(iv) The syndicated facility tranche B represents a $450m 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 B is an interest only facility with the principal payable on the maturity date of 3 June 2018. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 1.25%. The interest rate charged on this facility at 30 June 2014 was between 3.9387% and 3.9567%, being BBSY range between 2.6887% and 2.7067% plus a margin of 1.25%. The margin is dependent on the long term credit rating of PAPL. The total drawn down amount of the facility at 30 June 2014 is $81m.

(v) On the 23 May 2014, the working capital facility was amended and restated to $20m (2013: $15m). The borrowing is an interest only facility with the principal payable on the restated maturity date of 3 June 2017 (2013: 9 November 2015). The interest rate on the underlying facility is BBSY plus a margin of 1.15% (2013: 1.55%). The margin is dependent on the long term credit rating of PAPL. The balance at 30 June 2014 represents unamortised directly incremental transaction costs that are amortised on a straight line basis over the contractual life of the facility. The facility was utilised to provide a bank guarantee for the amount of $10,750,000 which was issued to Western Power on 6 August 2012.

(vi) The United States Private Placement Series A represents a fully drawn USD $50m borrowing net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the borrowing. The borrowing is an interest only facility with the principal payable on the maturity date of 26 July 2022. Interest is payable semi-annually and the interest rate on the underlying loan is fixed at 4.47%. The total borrowing of USD $50m is fully hedged for foreign currency risk (see note 22(ii)).

(vii) The United States Private Placement Series B represents a fully drawn USD $80m borrowing net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the borrowing. The borrowing is an interest only facility with the principal payable on the maturity date of 26 July 2024. Interest is payable semi-annually and the interest rate on the underlying loan is fixed at 4.57%. The total borrowing of USD $80m is fully hedged for foreign currency risk (see note 22(ii)).

(viii) The United States Private Placement Series C represents a fully drawn USD $140m borrowing net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the borrowing. The borrowing is an interest only facility with the principal payable on the maturity date of 26 July 2027. Interest is payable semi-annually and the interest rate on the underlying loan is fixed at 4.77%. The total borrowing of USD $140m is fully hedged for foreign currency risk (see note 22(ii)).

NOTE 19. INTEREST-BEARING LOANS & BORROWINGS (CONTINUED)

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(ix) The United States Private Placement Series D represents a fully drawn AUD $30m borrowing net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the borrowing. The borrowing is an interest only facility with the principal payable on the maturity date of 26 July 2022. Interest is payable semi-annually and the interest rate on the underlying loan is fixed at 7.32%.

(x) The 7 year Australian Medium Term Note represents a fixed income $AUD bond with a face value of $150,000,000 net of transaction costs and bond discount. Directly incremental transaction costs and bond discount are amortised on a straight line basis over the contractual life of the borrowing. The fixed rate bond was issued at a price of 99.803% of the initial outstanding principal amount. The fixed income bond matures on 23 July 2020. Interest is payable semi-annually and the interest rate on the underlying bond issue is fixed at 6.0%.

(xi) The 7 year Australian Medium Term Note represents a fixed income $AUD bond with a face value of $400,000,000 net of transaction costs and bond discount. Directly incremental transaction costs and the bond discount are amortised on a straight line basis over the contractual life of the borrowing. The fixed rate bond was issued at a price of 98.873% of the initial outstanding principal amount. The fixed income bond matures on 25 March 2021.Interest is payable semi-annually and the interest rate on the underlying bond issue is fixed at 5.5%.

(xii) The 10 year Australian Medium Term Note represents a floating income $AUD bond with a face value of $100,000,000 net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the borrowing. The floating rate bond was issued at a price of 100% of the initial outstanding principal amount. The floating income bond matures on 26 March 2024. Interest is payable quarterly and the interest rate on the underlying facility is BBSW plus a margin of 2.05%. The interest rate charged on this facility at 30 June 2014 was 4.765%, being BBSW of 2.715% plus a margin of 2.05%.

(xiii) As at 30 June 2013, the syndicated facility tranche 1 represents a 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 margin of 1.55%. The interest rate charged on this facility at 30 June 2013 was 4.3900%, being BBSY of 2.8400% plus a margin of 1.55%. The margin is dependent on the long term credit rating of PAPL. On 23 May 2014, PAPL cancelled the syndicated facility tranche 1. All directly incremental transaction costs arising from the cancellation were expensed as incurred.

(xiv) As at 30 June 2013, the syndicated facility tranche 2 represents a $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 2.00%. The interest rate charged on this facility at 30 June 2013 was 4.8475%, being BBSY of 2.8475% plus a margin of 2.00%. The margin is dependent on the long term credit rating of PAPL. On 23 May 2014, PAPL cancelled the syndicated facility tranche 2. All directly incremental transaction costs arising from the cancellation were expensed as incurred.

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NOTE 19. INTEREST-BEARING LOANS & BORROWINGS (CONTINUED)

(xv) The syndicated facility tranche 3 represents a $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 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 2.15%. The interest rate charged on this facility at 30 June 2013 was nil, being BBSY of nil plus a margin of 2.15%. The margin is dependent on the long term credit rating of PAPL. On 23 May 2014, PAPL cancelled the syndicated facility tranche 3. All directly incremental transaction costs arising from the cancellation were expensed as incurred.

(xvi) Interest is payable on the subordinated shareholder loans at the 6 months BBSW rate set on 30 April of the preceding financial year, and applied from 1 July of each financial year thereafter, plus a margin of 8% per annum. 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 dates of the subordinated shareholder loans are:

		MATURITY DATE
	$'000	
Drawdown on 31 May 2009	56,120	31 May 2019
Drawdown on 13 December 2011	45,000	13 December 2021
Drawdown on 18 June 2012	30,600	18 June 2022
Total loan notional value	131,720	

The interest rate charged at 30 June 2014 was 10.8683% (2013: 12.0167%), being the 6 month BBSW rate of 2.8683% (2013: 4.0167%) set at 30 April 2013, 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 (refer to note 30(ii)).

NOTE 19. INTEREST-BEARING LOANS & BORROWINGS (CONTINUED)

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(B) FINANCING ARRANGEMENTS EXCLUDING SUBORDINATED BORROWINGS

	2014	2013
	$'000	$'000
$AUD INTEREST-BEARING LOANS AND BORROWINGS		
Total facilities available:		
Bond Issue - 7 years	-	100,000
Bond Issue - 10 years	240,000	240,000
Syndicated facility - Tranche A	100,000	-
Syndicated facility - Tranche B	450,000	-
$A Medium Term Note – Fixed Income Bond $150m	150,000	
$A Medium Term Note – Fixed Income Bond $400m	400,000	-
$A Medium Term Note - Floating Bond	100,000	-
Syndicated facility - Tranche 1	-	315,000
Syndicated facility - Tranche 2	-	300,000
Syndicated facility - Tranche 3	-	300,000
United States Private Placement – Series D	30,000	30,000
Working capital facility	20,000	15,000
	1,490,000	1,300,000
FACILITIES UTILISED AT REPORTING DATE		
Bond Issue - 7 years	-	100,000
Bond Issue - 10 years	240,000	240,000
Syndicated facility - Tranche A	100,000	-
Syndicated facility - Tranche B	81,000	-
$A Medium Term Note – Fixed Income Bond $150m	150,000	
$A Medium Term Note – Fixed Income Bond $400m	400,000	-
$A Medium Term Note - Floating Bond	100,000	-
Syndicated facility - Tranche 1	-	315,000
Syndicated facility - Tranche 2	-	213,500
United States Private Placement – Series D	30,000	30,000
Working capital facility	10,750	10,750
	1,111,750	909,250
FACILITIES NOT UTILISED AT REPORTING DATE		
Syndicated facility - Tranche A	-	-
Syndicated facility - Tranche B	369,000	-
Syndicated facility - Tranche 2	-	86,500
Syndicated facility - Tranche 3	-	300,000
Working capital facility	9,250	4,250
	378,250	390,750

19 NOTE 19. INTEREST-BEARING LOANS & BORROWINGS (CONTINUED)

	2014	2013
	$'000	$'000
$USD INTEREST-BEARING LOANS AND BORROWINGS		
Total facilities available:		
United States Private Placement - Series A	50,000	50,000
United States Private Placement - Series B	80,000	80,000
United States Private Placement - Series C	140,000	140,000
	270,000	270,000
FACILITIES UTILISED AT REPORTING DATE		
United States Private Placement - Series A	50,000	50,000
United States Private Placement - Series B	80,000	80,000
United States Private Placement - Series C	140,000	140,000
	270,000	270,000
FACILITIES NOT UTILISED AT REPORTING DATE		
United States Private Placement - Series A	-	-
United States Private Placement - Series B	-	-
United States Private Placement - Series C	-	-
	-	-

(C) SENIOR DEBT – SECURITY AND COVENANTS

The senior 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 2014 was 2.68:1.

(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 2014 was 0.37:1. Refer to note 25 for further details.

(iii) The debt service amount was a minimum level of free cash is to be maintained equivalent to three months of senior debt interest. This was managed through the amounts deposited in the Debt Service Reserve Account (refer to note 8). The Debt Service Amount under Syndicated Facility Agreement dated 1 November 2011 was cancelled and replaced by the new Syndicated Facility Agreement on the 23 May 2014. The new Syndicated Facility Agreement dated 23 May 2014 no longer requires the Group to maintain the DSRA.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

20 NOTE 20. NON-CURRENT EMPLOYEE BENEFIT LIABILITIES

	NOTES	2014	2013
		$'000	$'000
NON-CURRENT			
Long Service Leave		513	508

21 NOTE 21. DEFERRED REVENUE

	2014	2013
	$'000	$'000
CURRENT LIABILITIES:		
Opening balance at 1 July	1,474	1,822
Deferred revenue received during the year	-	316
Recognised as income	(1,474)	(6,814)
Transfer from non-current portion	1,024	6,150
	1,024	1,474
NON-CURRENT LIABILITIES:		
Opening balance at 1 July	20,895	27,038
Deferred revenue received during the year	-	7
Transfer to current portion	(1,024)	(6,150)
	19,871	20,895

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 2014, the Company received revenue in advance of nil (2013: $323,000) from retail operations that will be recognised in the income statement.

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NOTE 22. DERIVATIVE FINANCIAL INSTRUMENTS – ASSETS AND LIABILITIES

		2014	2013
		$'000	$'000
FINANCIAL NON-CURRENT ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
DERIVATIVES NOT DESIGNATED AS HEDGES			
Interest rate swaps	(i)	-	5,322
Cross currency swaps	(ii)	-	506
TOTAL FINANCIAL NON-CURRENT ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	5,828
FINANCIAL NON-CURRENT LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
Interest rate swap contracts - cash flow hedges	(i)	6,195	58,426
TOTAL FINANCIAL NON-CURRENT LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		6,195	58,426
FINANCIAL NON-CURRENT LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS			
DERIVATIVES NOT DESIGNATED AS HEDGES		36,448	
Interest rate swaps not designated as cash flow hedges			-
Cross currency swaps	(ii)	10,800	-
TOTAL FINANCIAL NON-CURRENT LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		47,248	-
TOTAL FINANCIAL NON-CURRENT LIABILITIES		53,443	58,426

I) INTEREST RATE SWAPS

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 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 2014, the weighted average interest rate of the interest rate swap contracts was 4.6613% (2013: 4.6174%).

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.

NOTE 22. DERIVATIVE FINANCIAL INSTRUMENTS – ASSETS AND LIABILITIES (CONTINUED)

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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 expense of $4,426,000 (2013: income of $2,469,000) was recognised as hedge ineffectiveness in the profit and loss.

Interest rate swaps that are not designated as hedges are classified as held for trading, with the associated changes in fair value recognised in the profit or loss.

Interest rate swaps in place cover 14.7% (2013: 80%) of the underlying hedged principal outstanding. The fixed interest rates range between 4.6975% and 4.720% (2013: 4.500% and 4.800%) and the variable rate at balance date was BBSY at 2.7250% (2013: 2.840% and 2.860%) and BBSW at 2.6983% (2013: 2.810%). The notional amount of the interest rate swap contracts and the underlying hedged items are as follows:

	NOTIONAL CONTRACT AMOUNT	NOTIONAL CONTRACT AMOUNT	MATURITY DATE OF CONTRACT
	2014	2013	
	$'000	$'000	
UNDERLYING HEDGED ITEM			
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	-	113,500	9 November 2018
Syndicated Facility - Tranche 2	-	100,000	20 June 2019
$A Medium Term Note - Floating Bond	100,000	-	9 November 2018
	100,000	868,500	
DERIVATIVES NOT DESIGNATED AS HEDGES			
Interest rate swap	380,000	213,122	9 November 2018
Interest rate swap	200,000	-	20 June 2021
TOTAL INTEREST RATE SWAP NOTIONAL	680,000	1,081,622	

The fair value for the recognised financial instruments that are offset, or subject to enforceable master netting arrangements as at 30 June 2014 and 30 June 2013:

	2014			2013		
	ASSETS	LIABILITIES	TOTAL	ASSETS	LIABILITIES	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
INTEREST RATE SWAPS						
Fair value	101,497	(144,140)	(42,643)	163,291	(216,395)	(53,104)

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NOTE 22. DERIVATIVE FINANCIAL INSTRUMENTS – ASSETS AND LIABILITIES (CONTINUED)

II) CROSS CURRENCY SWAPS

A United States Private Placement was settled on 26 July 2012 which raised USD $270 million and AUD$30 million (refer to Note 19(a))). To hedge the $USD foreign currency risk, three cross currency swap transactions were traded on 24 May 2012 with a settlement 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 ON NOTIONAL AMOUNT	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				

The variable BBSW rate at 30 June 2014 was 2.6783% (2013: 2.9383%).

The fair value for the recognised financial instruments that are offset, or subject to enforceable master netting arrangements as at 30 June 2014 and 30 June 2013:

	2014			2013		
	ASSETS	LIABILITIES	TOTAL	ASSETS	LIABILITIES	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
CROSS CURRENCY SWAPS						
Fair value	340,085	(350,885)	(10,800)	354,196	(353,690)	506

NOTE 22. DERIVATIVE FINANCIAL INSTRUMENTS – ASSETS AND LIABILITIES (CONTINUED)

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III) FAIR VALUES

Set out below is a comparison of the carrying amounts and fair values of financial instruments, other than those with carrying amounts which are reasonable approximations of fair values:

	CARRYING AMOUNT		FAIR VALUE	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
FINANCIAL ASSETS				
Interest rate swaps not designated as hedges	-	5,322	-	5,322
Cross currency swaps	-	506	-	506
TOTAL	-	5,828	-	5,828
FINANCIAL LIABILITIES				
Interest bearing loans and borrowings				
Floating rate borrowings	648,595	990,119	533,845	851,539
Fixed rate borrowings	857,831	322,930	594,089	311,005
Interest rate swap hedge liabilities	6,195	58,426	6,195	58,426
Interest rate swap not designated as hedges	36,448	-	36,448	-
Cross currency swaps	10,800	-	10,800	-
TOTAL	1,559,869	1,371,475	1,181,377	1,220,970

Cash and short term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and cross currency swaps. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. As at 30 June 2014, the marked-to-market value of derivative liability positions is net of a debit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.
- Fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2014 was assessed to be insignificant.

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NOTE 23. DEFERRED TAX LIABILITIES

	NOTES	STATEMENT OF FINANCIAL POSITION		PROFIT OR LOSS		OTHER COMPREHENSIVE INCOME	
		2014	2013	2014	2013	2014	2013
		$'000	$'000	$'000	$'000	$'000	$'000
Deferred income tax at 30 June relates to:							
Deferred tax liabilities							
Accelerated depreciation for tax purposes		29,348	28,456	893	(654)	-	-
Revaluations of investment properties to fair value		207,663	241,373	(33,710)	66,509	-	-
Prepaid rent - operational rent		32,280	15,211	13,919	6,271	3,149	-
Contractual intangible assets		1,404	578	825	(507)	-	-
Deferred finance costs		-	364	(415)	(113)	-	-
Accrued expenses		-	-	-	36	-	-
Derivative financial instruments – held for trading		-	948	(948)	948	-	-
Property development income - future assessable amounts		31,753	30,047	4,676	10,411	-	-
Accrued revenue		1,920	1,641	278	122	-	-
		304,368	318,618	(14,482)	83,023	3,149	-
Deferred tax assets							
Doubtful debts		(105)	-	(105)	-	-	-
Accrued expenses		(2,504)	(1,927)	(578)	(1,882)	-	-
Capitalised legal expenses		(84)	(132)	48	(24)	-	-
Derivative financial instruments – cash flow hedges		(1,859)	(17,490)	(3,468)	(2,450)	19,099	2,090
Derivative financial instruments – held for trading		(14,174)	-	(14,174)	1,859	-	-
Finance costs - revaluation of USPP		(7,315)	(9,848)	2,534	(9,848)	-	-
Finance costs		(1,543)	-	(1,543)	-	-	-
Employee benefits		(1,619)	(1,740)	121	(251)	-	-
		(29,203)	(31,137)	(17,165)	(12,596)	19,099	2,090
Net deferred tax liabilities at 30 June		275,165	287,481				
Deferred tax expense	5			(31,647)	70,427		
Net transfers to Other Comprehensive Income	5					22,248	2,090

NOTE 24. CONTRIBUTED EQUITY

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		NO. SHARES	$'000
MOVEMENT IN ORDINARY SHARES ON ISSUE			
At 30 June 2012		146,774,081	161,865
Share issue	(i)	-	-
At 30 June 2013		146,774,081	161,865
Share issue		-	-
At 30 June 2014		146,774,081	161,865

(i) The issue of new ordinary shares was pro-rata to existing shareholders by way of a non-renounceable rights issue of one ordinary share for every sixty held. A total of 696,518 ordinary shares at a price of $12.06 per ordinary share were issued during the year ending 30 June 2012, comprising of 414,594 ordinary shares issued on 13 December 2011 and 281,924 ordinary shares on 18 June 2012.

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 adjustment arising from the transfer of capitalised lease-operational land to investment property.

	NOTES	2014	2013
		$'000	$'000
BALANCE AT 1 JULY		362	362
Revaluation of capitalised lease - operational land		10,497	-
Deferred tax - other comprehensive income	23	(3,149)	-
BALANCE AT 30 JUNE 2014 NET OF DEFERRED TAX		7,710	362

(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, and interest rate swap de-designations arising from capital repayments of the syndicated facility agreement. The net movement in the reserve for the year ending 30 June 2014 is detailed beneath:

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NOTE 24. CONTRIBUTED EQUITY (CONTINUED)

	NOTES	SWAP RESET COSTS	SWAP DE-DESIGNATION	EFFECTIVE HEDGES	TOTAL
		$'000	$'000	$'000	$'000
BALANCE AT 30 JUNE 2012 NET OF DEFERRED TAX		(10,622)	-	(39,969)	(50,591)
Net change in fair value of interest rate swaps - 1 July 2012 to 30 June 2013		-	-	24,812	24,812
De-designation interest rate swaps - 26 July 2012	(i)	-	(26,294)	-	(26,294)
De-designation interest rate swaps - 31 August 2012	(ii)	-	282	-	282
Interest rate swap amortisation to profit or loss	3(b)	3,502	4,665	-	8,167
		(7,120)	(21,347)	(15,157)	(43,624)
Deferred tax - other comprehensive income	23	(1,050)	6,404	(7,444)	(2,090)
BALANCE AT 30 JUNE 2013 NET OF DEFERRED TAX		(8,170)	(14,943)	(22,601)	(45,714)
Net change in fair value of interest rate swaps - 1 July 2013 to 30 June 2014		-	-	30,643	30,643
De-designation interest rate swaps - 31 July 2013	(iii)	-	(1,935)	-	(1,935)
Hedges closed out		-	27,947	-	27,947
Interest rate swap amortisation to profit or loss	3(b)	11,673	(4,665)	-	7,008
		3,503	6,404	8,042	17,949
Deferred tax - other comprehensive income	23	(3,503)	(6,404)	(9,192)	(19,099)
BALANCE AT 30 JUNE 2014 NET OF DEFERRED TAX		-	-	(1,150)	(1,150)

(i) The net proceeds arising from the United States Private Placement settled on 26 July 2012 (refer to note 19) were used to repay $215,000,000 from the Syndicated Facility Tranche 1 and $85,000,000 from the Syndicated Facility Tranche 2. As these revolving facilities were not extinguished, the fair value of the interest rate swaps hedging $215,000,000 of the Syndicated Facility Tranche 1, and $85,000,000 of the Syndicated Facility Tranche 2, were de-designated on 27 July 2012, with the fair value balance retained within the cash flow hedge reserve and amortised to interest expense over the life underlying interest rate swap. On the 23 May 2014, the revolving facilities were extinguished and the fair values previously retained in the cash flow hedge reserve were released into profit or loss.

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NOTE 24. CONTRIBUTED EQUITY (CONTINUED)

(ii) On 31 August 2012, a repayment of $21,500,000 was made against the Syndicated Facility Agreement Tranche 2. As this facility was not extinguished, the fair value of the interest rate swap hedging $21,500,000 of the Syndicated Facility Tranche 2 was de-designated on 31 August 2012, with the fair value balance retained within the cash flow hedge reserve and amortised to interest expense over the life underlying interest rate swap. On the 23 May 2014, the Syndicated Facility Agreement Tranche 2 was extinguished and the fair values previously retained in the cash flow hedge reserve were released into profit or loss.

(iii) On 31 July 2013, a repayment of $130,000,000 was made against the Syndicated Facility Agreement Tranche 2. As this facility was not extinguished, the fair value of the interest rate swap hedging $130,000,000 of the Syndicated Facility Tranche 2 was de-designated on 31 July 2013, with the fair value balance retained within the cash flow hedge reserve and amortised to interest expense over the life underlying interest rate swap. On the 23 May 2014, the Syndicated Facility Agreement Tranche 2 was extinguished and the fair values previously retained in the cash flow hedge reserve were released into profit or loss.

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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, polices and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

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

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.

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.

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NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 capital and 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 may adjust shareholder distributions to allow for working capital, investment and expansion requirements, while considering the market influences on PAPL's business, with an objective of maintaining a sustainable long term strong investment grade credit rating. Shareholder distributions are subject to Board approval and satisfying the requirements of the following documents:

- Syndicated Facility Agreement.
- Bond Commercial Terms Deed.
- United States Private Placement Note and Guarantee Agreement.
- $A Medium Term Note Programme.
- Shareholders Agreement.
- Capital Management Policies and Procedures.

FINANCIAL LEVERAGE

The ultimate Australian parent entity of PAPL is Perth Airport Development Group Pty Ltd (PADG), which at 30 June 2014 owns 100% of the issued ordinary shares of PAPL (refer to Note 30(v)(i)). PADG aims to maintain a leverage ratio below 0.75:1 (2013: 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 less amounts held in the DSRA;
- The book carrying value of PADG's investment in PAPL as shown in the most recent (prior year) audited annual accounts; and
- The book carrying value of loans and any other debt or equity interest invested by PADG in PAPL as shown in the most recent (prior year) audited annual accounts.

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	2014	2013
	$'000	$'000
THE LEVERAGE RATIOS BASED ON CONTINUING OPERATIONS IS:		
Accrued interest on senior debt facilities	17,922	11,624
Syndicated facility - Tranche A	100,000	-
Syndicated facility - Tranche B	81,000	-
Australian medium term note - Fixed Income Bond	550,000	-
Australian medium term note - Floating Bond	100,000	-
Syndicated facility - Tranche 1	-	315,000
Syndicated facility - Tranche 2	-	213,500
Syndicated facility - Tranche 3	-	-
United States Private Placement - Series A	51,216	51,216
United States Private Placement - Series B	81,946	81,946
United States Private Placement - Series C	143,406	143,406
United States Private Placement - Series D	30,000	30,000
Bond Issue - 7 years	-	100,000
Bond Issue - 10 years	240,000	240,000
Less DSRA balance	-	(19,236)
Total senior debt	1,395,490	1,167,456
BOOK CARRYING VALUE OF PADG'S INVESTMENT IN PAPL (1)	2,272,912	1,902,294
Shareholder loans	131,211	131,109
BOOK CARRYING VALUE OF LOANS FROM PADG TO PAPL (1)	131,211	131,109
Leverage ratio	37%	36%

(1) The book carrying value at 30 June is from the most recent (prior year) audited annual accounts.

(B) RISK EXPOSURES AND MITIGATION

(1) 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 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 across a number of industry sectors. Accordingly the Group has a diverse range of customers and tenants. 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.

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NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

To manage this risk:

- It is the PAPL's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.
- 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 may establish an allowance for impairment that represents the estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is 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.

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

	NOTES	2014	2013
		$'000	$'000
Aeronautical debtors		28,624	23,169
Property debtors		4,569	6,029
Ground transport debtors		1,490	1,040
Retail debtors		9,438	4,965
Sundry trade debtors		708	927
	9	44,829	36,130

(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. The Group's maximum exposure to credit risk at the reporting date from financial assets was:

	NOTES	2014	2013
		$'000	$'000
Cash and cash equivalents	8	20,079	47,658
Trade and other receivables	9	55,203	44,543
Other financial assets	11	8,340	7,116
Derivative financial instruments – held for trading	22	-	5,828
		83,622	105,145

(2) 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.

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25

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 $378,250,000 (2013: $390,750,000) 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 2014. 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.

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NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

	CARRYING AMOUNT	TOTAL CONTRACTUAL CASH FLOWS	LESS 12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	$'000	$'000	$'000	$'000	$'000	$'000
2013						
NON DERIVATIVE FINANCIAL ASSETS						
Cash and cash equivalents	47,658	47,658	47,658	-	-	-
Trade and other receivables	44,543	44,543	44,543	-	-	-
DERIVATIVE FINANCIAL ASSETS						
Cross Currency Swap (gross settled)						
- Outflow	-	(495,756)	(15,771)	(15,992)	(51,258)	(412,735)
- Inflow	-	463,975	13,728	13,728	41,220	395,299
Cross currency swap carrying amount	506	-	-	-	-	-
Interest rate swap – held for trading	5,322	(20,880)	(4,641)	(4,470)	(10,927)	(842)
TOTAL FINANCIAL ASSETS	98,029	39,540	85,517	(6,734)	(20,965)	(18,278)
NON DERIVATIVE FINANCIAL LIABILITIES						
Income tax payable	(2,479)	(2,479)	(2,479)	-	-	-
Trade and other payables	(44,373)	(44,373)	(44,373)	-	-	-
Interest-bearing loans & borrowings	(1,313,049)	(1,581,309)	(61,539)	(59,529)	(900,661)	(559,579)
DERIVATIVE FINANCIAL LIABILITIES						
Interest rate swap hedge liabilities (net settled)	(58,426)	(68,029)	(18,154)	(17,459)	(30,099)	(2,317)
TOTAL FINANCIAL LIABILITIES	(1,418,327)	(1,696,190)	(126,545)	(76,988)	(930,760)	(561,896)
NET INFLOW / (OUTFLOW)			(41,028)	(83,722)	(951,725)	(580,174)

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NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

	CARRYING AMOUNT	TOTAL CONTRACTUAL CASH FLOWS	LESS 12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	$'000	$'000	$'000	$'000	$'000	$'000
2014						
NON DERIVATIVE FINANCIAL ASSETS						
Cash and cash equivalents	20,079	20,079	20,079	-	-	-
Trade and other receivables	55,203	55,203	55,203	-	-	-
TOTAL FINANCIAL ASSETS	75,282	75,282	75,282	-	-	-
NON DERIVATIVE FINANCIAL LIABILITIES						
Income tax payable	(2,906)	(2,906)	(2,906)	-	-	-
Trade and other payables	(49,544)	(49,544)	(49,544)	-	-	-
Interest-bearing loans & borrowings	(1,506,426)	(1,923,313)	(73,483)	(73,925)	(672,160)	(1,103,745)
DERIVATIVE FINANCIAL LIABILITIES						
Cross Currency Swap (gross settled)						
- Outflow	-	(472,364)	(15,660)	(15,881)	(50,410)	(390,413)
- Inflow	-	437,314	13,334	13,334	40,003	370,643
Cross currency swap carrying amount	(10,800)	-	-	-	-	-
Interest rate swap hedge liabilities (net settled)	(6,195)	(9,002)	(2,232)	(2,152)	(5,456)	838
Interest rate swap – held for trading	(36,448)	(57,255)	(12,669)	(12,205)	(30,815)	(1,566)
TOTAL FINANCIAL LIABILITIES	(1,612,319)	(2,077,070)	(143,160)	(90,829)	(718,838)	(1,124,243)
NET INFLOW / (OUTFLOW)			(67,878)	(90,829)	(718,838)	(1,124,243)

(3) 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 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.

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NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Note 22(i) 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 $42,643,000 out of the money (2013: $58,426,000) are exposed to fair value movements if interest rates change. At balance sheet 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:

	2014	2013
	$'000	$'000
FINANCIAL ASSETS		
Cash and cash equivalents	20,079	47,658
Interest rate swaps	-	5,322
Cross currency swaps	-	506
	20,079	53,486
FINANCIAL LIABILITIES		
Cross currency swaps	10,800	-
Interest rate swaps	42,643	-
Subordinated shareholder loans	131,211	131,109
	184,654	131,109
NET FINANCIAL ASSETS / (LIABILITIES)	(164,575)	(77,623)

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 intervals, the difference between fixed and variable interest rate amounts calculated by reference to the agreed-upon notional principal amount.

At 30 June 2014, after taking in to account the effect of these interest rate swaps, approximately 49% (2013: 95%) of the Company's drawn senior interest-bearing loans and borrowings is economically hedged at a fixed rate of interest, while 45% (2013: 85%) of the Company's total drawn interest-bearing loans and borrowings is economically hedged at a fixed rate of interest. 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.

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. At 30 June 2014, if the Australian dollar yield curve had moved 25 basis points, 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:

	EFFECT ON POST-TAX PROFIT		EFFECT ON EQUITY	
	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Judgments of reasonable possible movements:				
+25 basis points	(967)	(231)	12,936	9,349
-25 basis points	967	231	(13,141)	(9,473)

The movements in post-tax profit is due to higher/lower interest costs from variable rate debt and cash and cash equivalents. 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 2014, the Group's exposure to the risk of changes in foreign exchange rates relates to cross currency swaps (refer to note 22(ii), and the USPP (refer to note 19). The Group is also exposed to foreign currency accounts payable transactions in the ordinary course of business for immaterial amounts.

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.

	EFFECT ON PROFIT BEFORE TAX		EFFECT ON EQUITY	
	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)	INCREASE / (DECREASE)
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Change in US$ Rate				
+1%	(11,509)	(2,939)	-	-
-1%	1,119	4,152	-	-

(III) 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).

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NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(IV) FAIR VALUE HIERARCHY

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 PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
	$'000	$'000	$'000	$'000
30 JUNE 2013				
Financial Assets				
Derivative financial instruments	-	5,828	-	5,828
Financial Liabilities				
Derivative financial instruments	-	58,426	-	58,426
30 JUNE 2014				
Financial Liabilities				
DERIVATIVE FINANCIAL INSTRUMENTS	-	53,443	-	53,443

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.

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NOTE 26. CAPITAL AND LEASING COMMITMENTS

(I) CAPITAL COMMITMENTS

	2014	2013
	$'000	$'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	190,116	265,612

(II) FINANCE AND OPERATING LEASES

During the year ending 30 June 2014, the Company entered into four (2013: three) separate Board approved premium leasing transactions which resulted in seven disposals of investment land with a carrying value of $15,450,000 (2013: $13,973,000) and the disposal of a ground lease with a carrying value of nil (2013: $66,000).

NOTE 27. CONTINGENT LIABILITIES

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(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) were previously listed on the Register of the National Estate ("RNE"). In 2007, the RNE was closed, and is no longer a statutory list.

In 2006 the Environmental Protection and Biodiversity Conservation Act 1999 ("EPBC Act") and the Australian Heritage Council Act 2003 were amended to freeze the RNE and to provide for a five-year phasing out of statutory references to the RNE. On 19 February 2012 all references to the RNE were removed from the EPBC Act and the Australian Heritage Council Act 2003. The RNE is maintained on a non-statutory basis, and RNE places can be protected under the EPBC Act if they are also included in another Commonwealth statutory heritage list or are owned or leased by the Commonwealth.

Separate 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) 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(e).

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NOTE 28. CASH FLOW INFORMATION

	NOTES	2014	2013
		$'000	$'000
RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS			
Profit from continuing operations after income tax		7,117	267,405
Adjustments for:			
Depreciation and intangible amortisation	3(c), 3(d)	38,739	37,909
Capitalised lease - operational land amortisation	13	653	397
Derivative valuation and borrowing costs		74,162	(610)
Finance costs - revaluation of USPP	2(b), 3(b)	(8,446)	32,829
Fair value (loss) / gain on investment property	2(c)	54,896	(250,406)
Profit / (loss) on sale of infrastructure, plant and equipment	2(a)	(41)	(27)
Capital works in progress written off		-	382
		167,080	87,879
CHANGES IN ASSETS AND LIABILITIES			
Change in trade and other receivables		(10,049)	7,866
Change in other operating assets		16,785	7,097
Change in deferred tax assets	23	1,934	(10,506)
Change in deferred tax liabilities	23	(14,252)	83,021
Change in current tax liability		427	9,593
Change in deferred tax in equity		(22,248)	(2,090)
Change in trade and other payables		(317)	(2,828)
Change in deferred revenue	21	(1,474)	(6,491)
Change in other provisions	18, 20	(403)	835
Change in interest-bearing liabilities		(5,247)	6,394
		132,236	180,770
Interest paid - interest rate swap termination costs	3(b)	20,816	-
Interest paid		98,468	85,245
NET CASH FROM OPERATING ACTIVITIES		251,520	266,015

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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.

There are no matters or circumstances that have arisen since 30 June 2014 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.

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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

Guy Thompson - Executive General Manager of Assets and Capital Works

Scott Norris - Executive General Manager of Commercial Services

Brian Krause - Executive General Manager of Aviation Business Development

Fiona Lander - Executive General Manager of Corporate Affairs and Organisational Development

Tony Brun - Executive General Manager of Integrated Planning

Peter Cock - Executive General Manager of Operations and Customer Experience (resigned 1 November 2013)

Rowan Chalmers - Executive General Manager of Operations and Customer Experience (appointed 24 February 2014)

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NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

Total compensation paid to executives, 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:

	2014	2013
	$	$
TOTAL COMPENSATION		
Short-term benefits:		
Salary and fees	3,195,823	2,276,157
Bonus	840,023	708,758
	4,035,846	2,984,915
Other benefits:		
Long Term Incentive Plan	1,196,194	888,306
	1,196,194	888,306
Post-employment benefits:		
Defined contribution superannuation expense	207,514	179,012
Total	5,439,554	4,052,233

(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:

- Utilities of Australia Pty Ltd as Trustee for Utilities Trust of Australia – Mr Ronald Doubikin (resigned 3 July 2013), Mr Richard Hoskins (resigned 3 July 2013), Mr Colin Atkin (appointed 31 July 2013), Mr Matthew Lorback (appointed 31 July 2013) and Mr Clive Appleton (appointed 27 February 2014),
- Utilities of Australia Pty Ltd as Trustee for the Perth Airport Property Fund - Mr Alan Good (resigned 31 December 2013), Mr Richard Hoskins and Mr Matthew Lorback (appointed 31 July 2013),
- AustralianSuper Pty Ltd – Mr Lyndon Rowe and Ms Suzanne Findlay,
- Sunsuper Pty. Ltd. as trustee of the Sunsuper Infrastructure Trust 3 - Ms Shirley In't Veld (appointed 26 September 2013), Mr Tom Snow (appointed 26 September 2013) and Mr Michael Weaver (resigned 26 September 2013),
- Citicorp Nominees Pty Ltd as custodian for Commonwealth Bank Officers Superannuation Corporation Pty Limited as trustee for Commonwealth Bank Group Super - Ms Shirley In't Veld (appointed 26 September 2013), Mr Tom Snow (appointed 26 September 2013) and Mr Michael Weaver (resigned 26 September 2013),
- The Northern Trust Company (TNTC) in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of The Future Fund Board of Guardians - Dr Raphael Arndt (resigned 17 February 2014), Ms Wendy Norris (appointed 3 July 2013), Mr Steven Fitzgerald (appointed 27 February 2014), Mr Phillip Walker (appointed 27 February 2014) and Ms Rhoda Phillipo (appointed 27 February 2014).

NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

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(I.III) DIRECTORS' REMUNERATION SCHEME

In the year ending 30 June 2005, the PAPL Board approved the implementation of a Directors' 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 2014 amounted to $965,000 (2013: $906,000).

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 2014 there was an amount of $188,000 (2013: $149,000) 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 2014 was 10.8683% (2013: 12.0167%), being BBSW of 2.8683% (2013: 4.0167%) plus a margin of 8%. The interest rate for the financial year ending 30 June 2015 has been set at 10.7250%, being BBSW of 2.7250% plus a margin of 8%. Interest on the subordinated shareholder loan is capitalised if not paid each quarter. A total of $14,556,000 (2013: $16,122,000) of interest was incurred during the year, while interest totaling $14,556,000 (2013: $16,122,000) 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.

There were no contributions from shareholders during the year (2013: $ nil) of subordinated shareholder loans (refer to note 19(xvi)). There were no principal repayments of the subordinated shareholder loan during the year (2013: nil).

(III) 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 $10,947,000.

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.

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NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

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 2014, PAPL received from PAPT ground rental income of $149,000 (2013: $149,000). 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 2014, PAPL received $134,000 (2013: $135,000) 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 2014, PAPL received from PAPT recharged property service income of $802,000 (2013: $878,000). At 30 June 2014, there was $42,000 (2013: $39,000) of trade payables and $20,000 (2013: nil) loan owing from PAPT to PAPL.

(IV) PAPT HOLDINGS PTY LTD

At 30 June 2014, there was an $18,000 (2013: nil) loan owing from PAPT Holdings Pty Ltd to PAPL.

(V) OTHER RELATED PARTIES

AustralianSuper Pty Ltd is the trustee of the AustralianSuper Superannuation Fund. AustralianSuper is the default superannuation fund for employees of Perth Airport. On 1 July 2011 Westscheme merged with AustralianSuper. AustralianSuper 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 2014 owns 100% of the issued ordinary shares of PAPL. Transactions between PADG and PAPL for the year consisted of subordinated shareholder 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	2014	2013
		$'000	$'000
Income tax payable / (receivable)	1(r)(ii)	2,906	2,479
Subordinated shareholder loans	19	131,211	131,109
		134,117	133,588

NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

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(B) PADG IS OWNED BY THE FOLLOWING SHAREHOLDERS:

	2014	2013
Hastings Funds Management Ltd as the Trustee for the Infrastructure Fund (1)	-	4.3%
The Private Capital Group as the Trustee for the Infrastructure Fund (7)	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%
AustralianSuper 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%
Sunsuper Pty Limited as trustee of the Sunsuper Infrastructure Trust 3 (6)	2.2%	2.2%
The Northern Trust Company (TNTC) in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of The Future Fund Board of Guardians (5)	29.7%	29.7%
	100.0%	100.0%

(1) Hastings Funds Management Ltd is a wholly owned subsidiary of Hastings Management Pty Limited. Hastings Management Pty Limited is a wholly-owned subsidiary of Westpac Banking Corporation. During the financial year, Hastings Funds Management Ltd retired as trustee of the Infrastructure Fund and was replaced by The Private Capital Group.

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

(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 AustralianSuper (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.

(5) On 9 May 2013 Hastings Funds Management Ltd as the single responsible entity for the Australian Infrastructure Fund, transferred their 29.7% investment to The Northern Trust Company (TNTC) in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of The Future Fund Board of Guardians.

(6) The Board of Directors on 30 January 2013 approved the transfer of the fully paid ordinary shares in the Company from Colonial First State Private Capital Pty Limited to Sunsuper Pty Ltd as trustee of the Sunsuper Infrastructure Trust 3 with the transfer being completed on 26 February 2013.

(7) On 3 July 2013 the Board of Directors approved the proposed transfer of ownership interests in the Company from Hastings Funds Management Limited as retiring trustee of The Infrastructure Fund to The Private Capital Group Pty Ltd. The Private Capital Group becoming trustee of TIF, The Private Capital Group Pty Ltd re-appointed Hastings Funds Management Limited as fund manager of The Infrastructure Fund.

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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
Australia

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 2014 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 their debts as and when they become due and payable.

Signed in accordance with a resolution of the directors on 27 August 2014.

David Crawford

DAVID CRAWFORD
CHAIRMAN
PERTH, WESTERN AUSTRALIA
27 AUGUST 2014

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Building a better working world

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 2014, 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.

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 2014 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

ROBERT KIRKBY
PARTNER
PERTH
27 AUGUST 2014


QATAR