PerthAirport

ANNUAL REPORT 2018

PERTH AIRPORT PTY LTD
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ACN 077 153 130

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We would like to acknowledge and thank the members of the Perth Airport Operations team who contributed some of the photography for this year's Annual Report.


PerthAirport
AIRFIELD
OPERATIONS
4

ABOUT PERTH AIRPORT

DOMESTIC PASSENGERS

Domestic passenger numbers increased by 1.2% reaching 9.3 million

REGIONAL SERVICES

Passenger numbers grew by 3.2%

MAJOR EMPLOYER

Around 17,000 aviation and non-aviation jobs generated

2018 was a successful year for Perth Airport. We continued to provide safe, reliable and efficient airport service for our airline partners, visitors and the travelling public of Western Australia.

We have focused on providing an efficient and modern airport providing the level of service and facilities that Western Australia deserves to have as Australia's Western Hub.

- Perth Airport is owned and operated by Perth Airport Pty Ltd under a 99-year lease from the Commonwealth Government.
- As Australia's Western Hub, Perth Airport plays a significant role in the State's economic, social and cultural activities by facilitating travel and employment, connecting people and places, and providing support for local communities.
- The Perth Airport estate is situated on 2,105 hectares. It comprises two international terminals (T1 and T3) and four domestic terminals (T1, T2, T3 and T4) as well as a General Aviation precinct.
- As the fourth largest domestic and international airport in Australia, Perth Airport is serviced by 19 international and 13 domestic and regional airlines, and contributes an estimated $3.66 billion each year to the Western Australian economy.
- In FY18, 13.7 million passengers passed through Perth Airport.
- Domestic passenger numbers increased by 1.2 per cent reaching 9.3 million while international passenger numbers decreased in FY 18 by 0.9 per cent.
- Regional services passenger numbers grew by 3.2 per cent.
- Perth Airport is also a major employment centre within the Perth metropolitan area, generating around 17,000 aviation and non-aviation jobs.
- Perth Airport has undergone a major upgrade over the past seven years with a $1 billion program that has unlocked capacity and increased efficiency, while delivering a world-class customer experience.
- There are plans to future proof the airport and meet the needs of the airport's airline partners and the expectations of passengers.
- Perth Airport continues to work closely with the State Government, Tourism WA, the Tourism Council WA, as well as Tourism Australia and our universities to attract new airlines and increased frequency from existing airlines, and to promote Western Australia as a destination of choice.

OWNERSHIP

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

SHAREHOLDERS OF PERTH AIRPORT DEVELOPMENT GROUP PTY LTD	
Utilities of Australia Pty Ltd **Utilities Trust of Australia (UTA)**	**38.26%**
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** (FFBG)	**30.01%**
Utilities of Australia Pty Ltd ATF Perth Airport Property Fund (PAPF)	**17.34%**
Gardior Pty Ltd as trustee for the **The Infrastructure Fund**	**7.19%**
Australian Super Pty Ltd	**5.25%**
Sunsuper Pty Ltd	**1.95%**

As Australia's Western Hub, Perth Airport plays a significant role in the State's economic, social and cultural activities by facilitating travel and employment, connecting people and places, and providing support for local communities.

CHAIRMAN'S MESSAGE

The evolution of Perth Airport continues as we work toward providing Western Australians with the airport they need and deserve – an airport that has the capacity, amenity and efficiency to deliver passengers a seamless, quality travel experience.

Our focus is firmly on working with our airline partners to grow their businesses, an outcome which will deliver major social, cultural and economic benefits for all of Western Australia as we realise our vision of being Australia's Western Hub.

We are well advanced toward our goal with more than $1 billion already invested in new terminals in the Airport Central precinct. These investments have delivered major efficiency gains for our airline partners and have given passengers a stress-free experience and a higher standard of service.

This year has seen the value of these projects gain both national and international recognition – something our team, our city and our State can be proud of.

For the first time the Australian Competition and Consumer Commission (ACCC) rated Perth Airport as the best of the major Australian airports for overall service quality to both airlines and passengers. The ACCC directly linked this improved performance to the investments we have made in our terminals.

Perth Airport has also won a string of awards including the CAPA Asia Airport of the Year 2017 (Medium Category), the 2018 Skytrax World Airport Award for Best Airport Staff Service (Asia/Pacific), and International Airport Review's Terminal Operations: Passenger Experience Award 2017.

These are wonderful endorsements of the Perth Airport team and show the value of keeping our focus firmly on lifting our service standards for our airline partners and the travelling public.

We acknowledge there is still more to be done. We aspire to deliver all airline services from within the Airport Central precinct by no later than 2025.

We are working with our airline partners on plans for an upgraded international terminal and a new integrated domestic terminal for Qantas. Combined with the proposed parallel runway, these projects will set up Perth Airport for future growth and give international and interstate visitors a warm welcome and an outstanding first impression of Western Australia.

I congratulate and thank our CEO Kevin Brown and all the team at Perth Airport for what they have achieved to date and I am confident they will deliver the next wave of projects to set up Western Australia to capitalise on its full economic potential.

I thank my fellow directors for their support and guidance, and the shareholders for their continued confidence in the company. I would also like to thank former Chairman Colin Beckett for his contribution to Perth Airport.

I look forward to the next exciting period of growth for Perth Airport as we deliver on our commitment to the people of Western Australia to make our airport one of the best in the world.

Nev Power
Chairman

Our next wave of investment will ensure we have the capacity to meet the expectations of our airline partners and passengers over the next two decades.

We are continuing to partner with the State government and Tourism WA to secure direct flights to Tokyo, Shanghai and India.

CEO'S MESSAGE

Perth Airport continues to work with governments, industry and the community to deliver an airport all Western Australians can be proud of.

We aspire to be an airport that has the capacity and flexibility to allow our airline partners to grow their businesses; an airport that provides a warm welcome and a lasting first impression to interstate and overseas visitors; an airport that reflects the vibrant and confident attitude of our State, the diversity of our communities, and the unique and rich culture of our indigenous people.

In 2018, Perth Airport made history with the inaugural Qantas direct flight from Perth to London. The launch in March helped maintain momentum for developing other direct services to Europe as well as new routes into China, Japan and India.

To that end, we are continuing to partner with the State government and Tourism WA to secure direct flights to Tokyo, Shanghai and India. Over the past year, we have seen growth in all those markets. Garuda Indonesia, Qatar Airways, Cathay Pacific and Singapore Airlines all increased capacity, while domestically, Virgin Australia announced a new direct service from Perth to Hobart.

Our commitment to customer service was recognised with awards for passenger experience and staff service, and the ACCC rating us Australia's Best Major Airport for overall service quality, the first time the airport has taken out the title as Australia's best.

On our airfield, we completed the last phase of a $36 million upgrade of our lighting and landing system to a Category IIIb (CAT III) aerodrome following a mandatory 12-month testing validation period.

The upgrade is a generational change for Perth and WA enabling aircraft to land and take-off at a lower visibility, reducing delays and diversions to provide greater certainty for airlines, the travelling public, business and industry, and particularly the resource sector. It has already proven its worth during a number of fog incidents.

Our commitment to develop land not required for current or future aviation purposes continued. The development and leasing for the Direct Factory Outlet (DFO) on the airport estate gathered pace, and in March 2018, we announced a partnership with international retail giant Costco to see a Costco warehouse developed on the airport estate, subject to approvals.

We reaffirmed our commitment to operating in a sustainable manner and incorporating sustainability into all aspects of its business. We were recognised and accredited for our efforts to measure and map our carbon footprint, and we remain committed to understanding and reducing our carbon emissions through the development of an emissions reduction target.

Essential to how we operate is our relationship with the community. We are building strong and enduring relationships, working with local communities to build active working partnerships, and contributing to a wide range of community activities which support organisations, families and non-for-profit groups, including Foodbank WA, Lifeline WA, Telethon Speech and Hearing and Ronald McDonald House.

The most significant community project that Perth Airport undertook over the past 12 months was a period of public consultation with the community on our New Runway Project (NRP).

The NRP will see an investment of $520 million and the creation of almost 500 jobs during construction. The NRP is essential to future proofing the airport and delivering the future capacity that the economy needs to grow.

Over a three month period, we wrote to more than 300,000 residents in surrounding areas, held community expos, and opened an Airport Experience Centre for the public to learn more about the project.

Our plans for the next wave of development will position us to embrace the future and deliver major economic gains for the tourism industry, the resources sector, agricultural exporters and higher education.

We are on the cusp of a new surge in international tourism to Western Australia and a new period of sustained economic growth which will bring more jobs and greater prosperity to the people of our State.

We will work with our airline partners, government and the broader community to ensure we deliver on the airport's full potential and, in doing so, help unlock the full economic, social and cultural potential of our State.

Kevin Brown
CEO

BOARD OF DIRECTORS

Mr Neville Power, *Chairman*
BE (Mech), MBA, FIEAust, FIMMAust, CP Eng.

Term: Chairman since May 2018
Skills and experience: Neville (Nev) held the position of Managing Director and Chief Executive Officer of Fortescue Metals Group Ltd, having joined the miner in February 2011. During his tenure, Fortescue more than quadrupled its production to over 170 million tonnes per annum and positioned itself as the lowest cost supplier of seaborne iron ore to China. Nev was previously Chief Executive of the Australian operations at Thiess and prior to that spent more than 10 years in senior executive positions at Smorgon Steel Group. In 2016, he was named WA Business Leader of the Year. Nev also has a long history in agribusiness and aviation holding both fixed wing and helicopter commercial pilot licences.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Chairman of the Foundation for the WA Museum Board
- Managing Director of Fortescue Metals Group Ltd.

Mr Clive Appleton BEc, MBA, FAICD, AMP (Harvard)

Term: Non-Executive Director appointed in February 2014.
Skills and Experience: Clive has more than 30 years' experience in retail property and funds management. He joined APN Property Group Ltd. as Managing Director in April 2004 and became a Non-Executive Director in 2013. Prior to joining APN, Clive was the Managing Director of The Gandel Group (1997-2004). Between 1990 and 1997, he was Managing Director of Centro Properties Limited (later Federation Centres). Clive was Chief Executive Officer of Jennings Properties Limited (which became Federation Centres) for 10 years until 1997, and was previously Chairman of AG Coombs and a Council Member of The Cairnmillar Institute.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Deputy Chairman of The Gandel Group
- Non-Executive Director of APN Property Group Ltd.
- Chairman of Aspen Group Limited
- Non-Executive Director of Vicinity Centres.

Mr Andrew Agnew BA, BEc (Hons in Finance), Grad. Dip. S.I.A., Grad. Dip. Marketing, Grad. MAICD

Term: Non-Executive Director since April 2017.
Skills and experience: Andrew is an experienced company director with in-depth experience in infrastructure asset management, funds management and financial services. His executive career was spent as an investment banker and includes substantial international business experience including 10 years building businesses working out of Shanghai, Singapore & Tokyo. Within Australia, Andrew advised and executed Australian governments' asset sales as well as structuring and financing Australian infrastructure funds. He has served on Australian financial industry committees as the secretary of the Australian Financial Futures Association and the Chief Advisor to the Council of Authorised Money Market Dealers, and was a monthly columnist for the Australian Stock Exchange Journal.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Non-Executive Director of infrastructure manager Gardior Pty Ltd
- Non-Executive Director of the property Boards of North Queensland Airport
- Non-Executive Director of Niche Emerging Private Equity Manager Fund
- Non-executive director of Queensland Airports Limited
- Non-executive director LBC Tank Terminals Holdings Netherlands NV.

Ms Wendy Norris BAppSc, Grad. Dip. MGT, GAICD, CIMA

Term: Non-Executive Director since July 2013.
Skills and experience: Wendy joined the Future Fund in April 2010 and is the Deputy Chief Investment Officer, Private Markets. Wendy is responsible for managing the strategy for the Private Markets portfolio which includes Infrastructure & Timberland, Private Equity and Property. Prior to this role, she was Head of Infrastructure and Timberland. Wendy was previously an Investment Director with Hastings Funds Management where she was responsible for managing infrastructure investments and leading transactions in Australia, the UK and the US.

Mr Lyndon Rowe BEc (Hons), FAICD

Term: Non-Executive Director since August 2004.
Skills and experience: Lyndon is an Associate Commissioner of the Utilities Commission of the Northern Territory. Previously, he was full-time Chairman of the Electricity Generation and Retail Corporation (trading as Synergy) 2014-17, Executive Chairman of the WA Economic Regulation Authority from 2004-2014, and Chief Executive of the Chamber of Commerce and Industry of WA from 1992-2004. He has been a member of The University of Western Australia Senate from 2000-2012.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Non-Executive Director of the Mannkal Economic Education Foundation
- Former Chairman of the Electricity Generation and Retail Corporation (trading as Synergy) from 2014-2017
- -Former Executive Chairman of the WA Economic Regulation Authority from 2004-2014.

Ms Elizabeth Albergoni avLLB, LLM (Hons), MAICD

Term: Non-Executive Director since July 2018.
Skills and experience: Elizabeth is an Investment Director in the Asset Management team with responsibility for the performance of a number of the investments Morrison & Co manages on behalf of its clients. She joined Morrison & Co from Sydney Airport where she held a senior legal position since 2009. Elizabeth was responsible for providing strategic and legal services to management and the board across all aspects of Sydney Airport's business and its relationships with aviation stakeholders, regulators and government. Prior to joining Sydney Airport, Elizabeth worked as a competition and regulatory lawyer at two top tier law firms in Sydney with a focus on infrastructure, and commenced her career working in litigation in New Zealand.

BOARD OF DIRECTORS
(continued)

Mr Phillip Walker BE, MEngSc (Management), FAICD, FCILT

Term: Non-Executive Director since July 2018.
Skills and experience: Phillip has over 35 years' experience in the aviation sector including senior roles with airline and airport companies. He previously headed H.R.L. Morrison & Co's airport development team with responsibility for investments across Australia, New Zealand and Europe. Prior to joining H.R.L. Morrison & Co, he was Chief Executive at Brisbane Airport for six years and also held a range of management positions with Qantas over a 20 year period, including four years as manager of Qantas' Australian airport operations.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Non-Executive Director of Wellington International Airport Limited.

Mr Alan Dundas
BE (Hons), GAICD

Term: Non-Executive Director since July 2006.
Skills and experience: Alan was previously an Executive Director of WMC Resources Ltd, Chairman of Barminco Limited, Deputy Chairman of Horizon Power, and a Non-Executive Director of Coogee Chemicals Pty Ltd.

Mr Steven Fitzgerald BEc

Term: Non-Executive Director since February 2014.
Skills and experience: Steven is the Head of Asset Management at HRL Morrison & Co. He has more than 20 years' experience in the Airport sector, with roles in the Australian Government during airport privatisations, and Executive and Non-Executive roles in Australian, New Zealand and European Airports.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Director of Queensland Airports
- Director of TransGrid.

Malcolm Skene BA, BCom, MBA (Cambridge), GAICD

Term: Non-Executive Director appointed in June 2018.
Skills and experience: Malcolm is an Investment Director at AustralianSuper, responsible for asset management oversight of companies in the infrastructure portfolio. Malcolm brings extensive experience in the sector, having held a number of senior management roles at major airport operators and investors in Australia, Europe and the United Kingdom. He has worked across a variety of disciplines over the past 18 years including Strategy and Planning, Operations, Business Performance Improvement and Technology.

EXECUTIVE TEAM

Kevin Brown
Chief Executive Officer MBA, MSc, BEng(Hons), CEng, FIET, GAICD

Kevin joined Perth Airport as Chief Executive Officer in July 2016.

Kevin has been involved in operational and commercial roles in both hub and regional airports for more than 15 years in the UK and Australia.

Prior to joining Perth Airport, Kevin held the position of Chief Executive Officer of North Queensland Airports, which operate Cairns and Mackay Airports, where he was responsible for implementing a growth strategy for both airports.

He also spent nine years with the British Airport Authority (BAA) and was Managing Director at Edinburgh International Airport.

In 2017, Kevin was appointed to the Tourism Western Australia Board and is also a Council Member for the Chamber of Commerce and Industry Western Australia and Freight and Logistics Council of WA.

Brian Pereira
Chief Financial Officer
BCom, CA, GAICD

Brian was appointed Chief Financial Officer at Perth Airport in May 2017.

Brian is an experienced commercial CFO and has over 25 years' experience spanning the banking, infrastructure and industrial services. Prior to joining Perth Airport, Brian held several CFO roles including WesTrac (Australia), rail infrastructure provider Brookfield Rail, and Bankwest.

Brian holds a Bachelor of Commerce in Accounting and Finance, is Chartered Accountant, and a Graduate of the Australian Institute of Company Directors.

Steve Holden
Chief Property Officer
BSc, MRICS, GAICD

Steve joined Perth Airport in May 2004 and was appointed Chief Property Officer in June 2018, previously holding roles as Chief Commercial Officer and Executive General Manager Property.

As head of property, Steve leads a team in the three main areas of land subdivision, property development and portfolio management. Under his management are more than 150 tenants and 450 commercial agreements.

Steve is a Chartered Surveyor and is a Graduate of the Australian Institute of Company Directors.

Prior to joining Perth Airport, Steve worked in various roles in Australia and the UK over his 20 year plus property career.

Debra Blaskett
Chief Corporate Services Officer
B.Juris, LLB and BA(Hons)

Debra joined Perth Airport in November 2009 and was appointed to the position of Chief Corporate Services Officer in October 2016 after previously managing the Aviation Security, Airport Operations, Emergency Planning and Risk areas at Perth Airport.

Debra is responsible for the areas of Human Resources, Corporate Affairs, Marketing and Customer Experience, Business Transformation, Corporate Risk and Corporate Compliance.

She has held a number of senior positions in the Commonwealth public service across the portfolios of Australian External Territories Administration, aviation security regulation, and offshore oil and gas security regulation.

Debra holds a Bachelor of Jurisprudence, Bachelor of Laws, and Bachelor of Arts (Hons) degrees.

She is a Board Member of the Tourism Council Western Australia.

Allan Mason
Chief Project and Development Officer
BSc(Eng), MSc(Eng), FIEAust CILTA

Allan joined Perth Airport in March 2018 and was appointed to the position of Chief Project and Development Officer in July 2018 after previously being with Arup for 30 years as Principal to the Australasia Region Planning Business as well as the Cities Market Leader.

As Chief Project and Development Officer, Allan is responsible for the areas of Planning and Development, Major Projects and Information Systems.

Allan holds a Bachelor of Science Civil Engineering and a Master of Science Transportation Planning and Engineering (Distinction) degrees.

He is a member of the Engineers Australia, Chartered Institute of Logistics and Transport, and the Institution of Highways and Transportation.

Rebecca Cook
Acting Chief Commercial Officer Retail & Ground Transport BBus (Management & Marketing)

Rebecca joined Perth Airport in June 2007 and was appointed to the position of Chief Commercial Officer in an acting capacity in June 2018.

As Chief Commercial officer, Rebecca is responsible for the planning and development of terminal retail, ground transport and advertising business streams.

Prior to this role, Rebecca was appointed to the General Manager Retail in 2011.

Rebecca holds a Bachelor of Business.

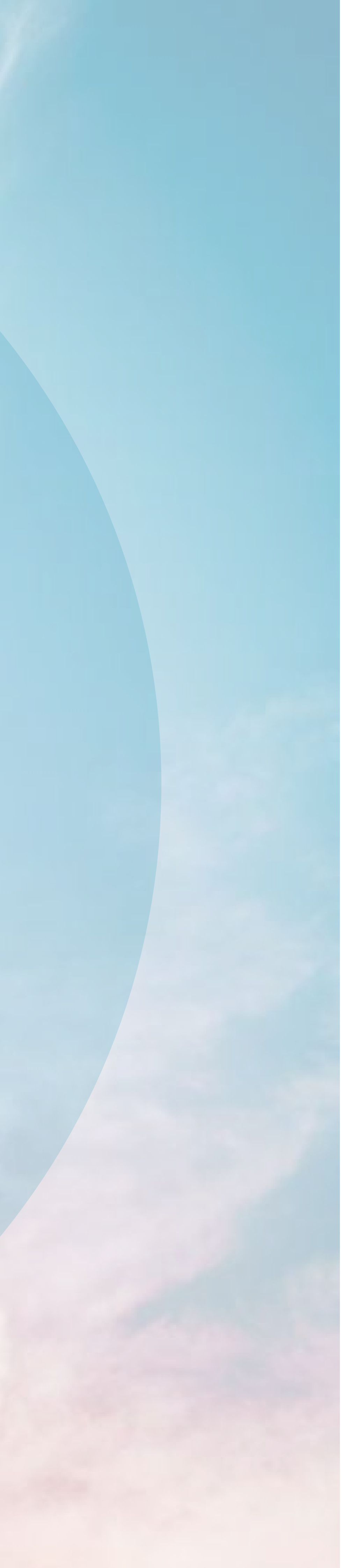
FINANCIAL SNAPSHOT

$171.2m
UNDERLYING NET PROFIT BEFORE TAX

$523.8m
TOTAL REVENUE

$71.1m
CAPITAL EXPENDITURE

$353.9m
OPERATING PROFIT



HIGHLIGHTS

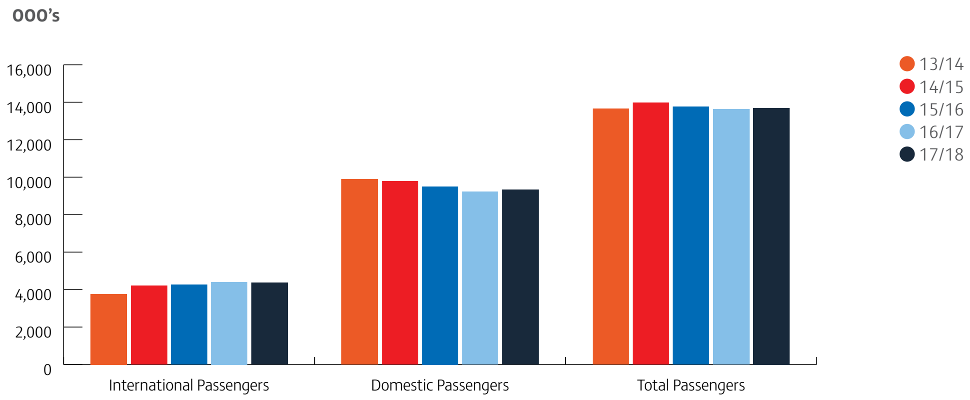
- Perth Airport was rated Australia's Best Major Airport for overall service quality by the Australian Competition and Consumer Commission, the first time the airport has taken out the title as Australia's best
- Perth Airport was awarded CAPA Asia Airport of the Year 2017 (Medium Airport category, <30 million passengers), the 2018 Skytrax World Airport Award for best Airport Staff Service Asia/Pacific, and First Prize for Terminal Operations: Passenger Experience at The International Airport Review Awards 2017
- Perth Airport worked with Qantas to successfully deliver Terminal 3 for selected Qantas international flights, including the non-stop service to London, in March 2018
- Garuda Indonesia announced a fifth flight per week between Perth and Jakarta in May 2018, representing an extra 25 per cent in capacity between Perth and Jakarta per year
- Qatar Airways switched to an Airbus 380 for its daily service from Doha in May 2018, delivering a surge in its capacity by almost 45 per cent
- Singapore Airlines chose WA as the first Australian destination for its new Boeing 787-10 aircraft from May 2018, using it on one of its four daily flights to Perth from Singapore
- Virgin Australia announced a new direct service from Perth to Hobart with plans to operate a return service three times a week on the airline's Boeing 737 aircraft
- China Southern added a fifth flight per week between Perth and Guangzhou in October 2017
- Cathay Pacific upgraded its daily Perth to Hong Kong services with an Airbus A350
- Perth Airport undertook a period of public consultation on the New Runway Project which will see an investment of $520 million and the creation of almost 500 jobs during construction
- A $36 million upgrade to a Category IIIb (CAT III) aerodrome of our lighting and landing system was completed in May 2018 after a mandatory 12-month testing validation period
- Engagement with all airlines to secure new seven-year agreements on pricing and service levels was conducted in an open and transparent manner through a publicly-accessible data room
- Perth Airport continued with the development and leasing for the DFO on the airport estate which opened
- A partnership with international retail giant Costco was announced which will see a Costco warehouse built on 14,000 sqm on the airport estate subject to approvals
- Perth Airport launched the inaugural Community Boost Program inviting charities and not-for-profit groups located close to Perth Airport to apply for a grant of up to $1,000, which will support up to 40 community initiatives per year

"It is clear that Perth Airport's investment program over the past few years has significantly improved the quality of the airport in the eyes of both airlines and passengers."

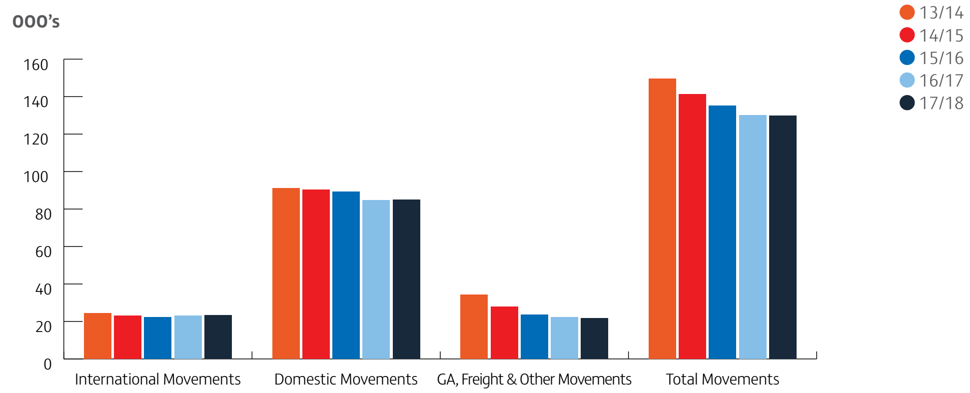
Rod Sims, Australian Competition and Consumer Commission Chairman

OUR STATS

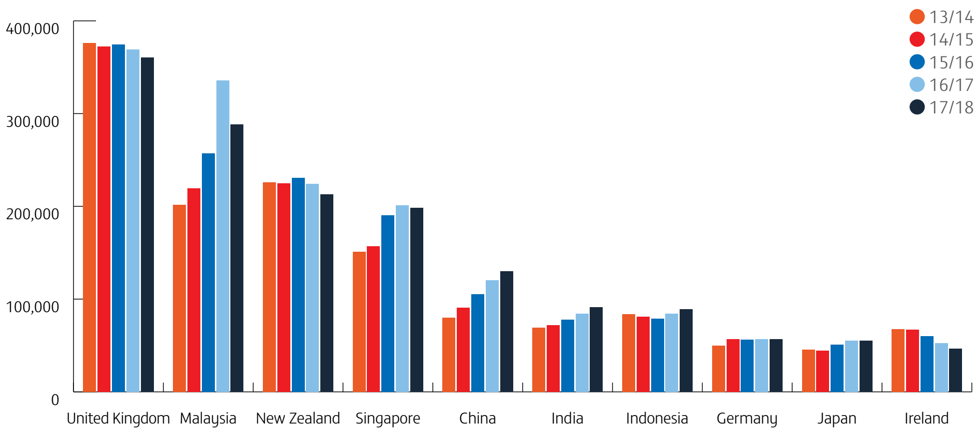
5 year comparison for International and Domestic Passengers
Source: PAPL

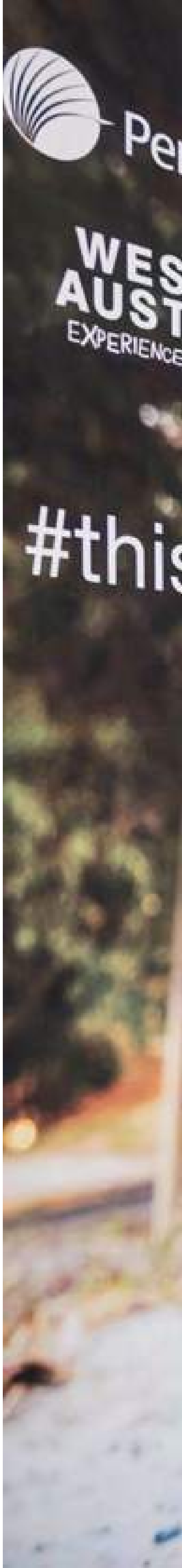


5 year comparison for Total Airport Movements
Source: PAPL



5 year comparison for Top Ten Foreign Nationality International Passengers for Perth Airport
Source: Department of Immigration and Border Protection





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OUR BUSINESS

Infrastructure

Terminals

Perth Airport worked with Qantas to successfully deliver Terminal 3 for selected Qantas international flights, including the non-stop service to London, in March 2018. The launch was an historic occasion for Perth Airport and for Western Australia.

- To enable international services from the T3/T4 precinct, Perth Airport and Qantas undertook significant works to produce new and improved facilities, including a new international transit terminal to provide Qantas customers a seamless and integrated travel experience
- The new integrated terminal swings between domestic and international operations which provides flexibility for passengers who are transiting from international to a domestic destination
- The new international wing features a large outdoor deck with alfresco seating, a streamlined immigration and customs area to enable a faster transit experience, additional food and beverage outlets, and a new Duty Free store
- As part of the works, unique dining concepts with a focus on fresh, locally sourced produce were developed which contribute to the customer experience and provide passengers a last taste of Western Australia
- The Perth-London direct service has enhanced Perth Airport's growing reputation as Australia's Western Hub and helped build momentum for efforts to consider other direct services to Europe

Premier Mark McGowan

"It's an historic day for Perth, which is now officially the western gateway to Australia from Europe – and we will do everything we can to make the most of this opportunity to help boost our local tourism industry and create local jobs."

Federal Tourism Minister Steve Ciobo

The route would act as a 'gateway' to Western Australia and would have flow-on benefits for the rest of the country. "For many international visitors the West Australian jewels have been off limits, not because it's been unavailable to them, but because it's been too hard to get to as there's been such a focus on the east coast."

Qantas Chief Executive Alan Joyce

"It'll be the first link between Europe and Australia that has ever occurred non-stop in aviation – we're so excited. I think it's going to be fantastic for WA tourism because we always know when you have a direct service there is a significant increase in traffic."

"It has enhanced Perth Airport's reputation as Australia's Western Hub and maintained momentum for developing other services to Europe as well as new routes into China, Japan and India."

Kevin Brown, Perth Airport CEO

Aerodrome Upgrade

Perth Airport completed a $36 million upgrade of its lighting and landing system in 2018. The upgrade to a Category IIIb (CAT III) aerodrome improves runway visibility during adverse weather and was completed in late 2017 and fully commissioned on 24 May 2018, following a mandatory 12-month testing validation period.

A new airside vehicle licencing system was rolled out including the Airside Operating Licence (AOL), new Authority to Use Airside (AUA), and Authority to Drive Airside (ADA) to enhance the safe management of airside driving and vehicles, including an easy to use database for third party operators at Perth Airport to manage their own vehicle fleet and drivers.

Waypoints, a new airfield serviceability reporting system, was implemented to enhance airside safety and statistical reporting of airfield safety activities including wildlife management, serviceability and vehicle inspections, and speed monitoring.

New rubber removal equipment was purchased to enable timely and efficient action to remove contamination from the runway surface.

Consolidation of all airside team members including operations and maintenance into a single facility located airside.

Safety & Security

Security

Perth Airport conducted a series of emergency exercises throughout the year involving State and Commonwealth emergency services as well as airlines and the broader aviation community. The exercises helped refine command and control arrangements to ensure seamless integration with the Perth Airport Emergency Management Framework.

Our Emergency Management Training Program continued with a number of internal exercises held to improve the staff and organisational capability.

In partnership with ISS Security, we installed FLIR (Forward Looking InfraRed) cameras on patrol vehicles which detect infrared energy (heat) instead of light and can detect a person at over 800m and a vehicle at 2.2km. The cameras have delivered greater efficiencies to the airport's airside security function.

In FY18, we worked in close collaboration with the Federal Government and major airlines on the development of enhanced airside security measures including an upgrade in passenger and checked baggage screening equipment across both domestic and international operations, and the introduction of screening measures for all non-passengers who have access to aircraft. Both security projects are to be delivered between 2018 and 2020.

Perth Airport has also taken the lead in providing a solution to implementing an International Air Transport Association (IATA) Resolution 753 on baggage tracking, which will further reduce mistracked baggage

Perth Airport has sought out IT infrastructure and baggage system vendors and provided our airline partners with an integrated system solution common to all users giving them flexibility to implement their own process through fully supported and maintained facilities services by our dedicated operations team.

Property

In FY18, Perth Airport maintained a strong level of portfolio occupancy by successfully retaining key tenants on the estate.

Perth Airport is progressively developing land that is not required for current or future aviation purposes.

In March 2018, Perth Airport announced a partnership with international retail giant Costco to see a Costco warehouse to be built on 14,000 sqm on the airport estate subject to approvals. The Costco is expected to generate almost 500 construction and retail jobs, with construction to begin in 2019 and the store expected to open in 2020.

Perth Airport continued with the development and leasing for the DFO on the airport estate which opened.

The new DFO, which will contain 117 specialty shops, has already created 250 construction jobs and will generate more than 750 ongoing retail and hospitality roles once completed.

Perth Airport negotiated a lease with the Mader Group for approximately 1,000sqm to relocate their operations to the ground floor of the Alpha Building.

Ground Transport

Perth Airport expanded its range of transport options to its customers and in FY18, we saw the following achievements:

- Opened three new dedicated premium motorcycle parking facilities across the airport
- Finalised a commercial arrangement with Ola to operate on the Perth Airport Estate
- Continued to develop new parking offers providing significant discounts to customers via the online booking system
- Finalised a commercial arrangement with Virgin Australia to operate a new premium valet parking product at T1 Domestic
- Installed improved wayfinding across the Perth Airport Estate for one hour free parking in Long Term
- Continued working closely with the PTA and their contractors supporting construction of the Forrestfield Airport Rail Link

Retail, Food & Beverage

Retail

Perth Airport continued to develop high quality retail, food and beverage outlets in the terminals in FY 18.

Spanish Tapas bar Loco Poco opened in December 2017 and was shortlisted, along with another new outlet, Three Bears, for the 2018 FAB (Airport Food and Beverage) Awards.

Three Bears was also one of three unique dining concepts which were developed in Terminal 3 to provide passengers with a taste of Western Australia.

We now have two new Duty Free stores, operated by Aelia Duty Free, which opened in March 2018 to service Qantas international services, including the non-stop service to London.

Perth Airport awarded a new six-year agreement to Travelex for six stores and three new kiosks to provide greater innovation and choice to passengers. Their offer includes mobile kiosks, which offer the ability to bring currency exchange to passengers at the gate.

OUR CUSTOMERS

Perth Airport has adopted and embraced a customer-centric approach, which has resulted in our Airport Service Quality Programme (ASQ) score increasing year-on-year for the past six years. Customer satisfaction is now at its highest level in six years, our ASQ result sitting at 4.15.

We won the CAPA Asia Airport of the Year 2017 (Medium Airport category, <30 million passengers), the 2018 Skytrax World Airport Award for best Airport Staff Service Asia/Pacific, and First Prize for Terminal Operations: Passenger Experience at The International Airport Review Awards 2017.

We were also rated Australia's Best Major Airport for overall service quality by the Australian Competition and Consumer Commission (ACCC) in 2018, the first time the airport has taken out the title as Australia's best.

To further reinforce our commitment to our customers, the following projects have been implemented in the past year:

- The installation of digital signage at T1 International – this allows for multilingual and dynamic messaging to improve wayfinding in the arrivals area
- The expansion of the highly acclaimed Gold Coat Ambassador volunteering program including recognition of Ruby Eagle in the 2018 Spirit of Volunteering Awards – WA People's Choice award
- Hosting of airport familiarisation tours with family groups from Autism WA, allowing families to simulate the travel experience from check in to the boarding of an aircraft with airport and airline representatives in attendance
- The installation of iconic Western Australian imagery at Terminal 3 that greets guests arriving on international flights
- Interactive Terminal activations throughout the year for events including Christmas, Chinese New Year, Easter, and NAIDOC Week
- The finalisation of the CAT III upgrades on our airfield which have ensured business continuity and reduced delays associated with inclement weather and fog events
- Working with the State Government and Qantas to deliver the new integrated international and domestic Terminal 3
- Working with our airline partners to increase the number of services for our passengers


T1
Domestic
STUDY Perth

OUR PEOPLE

Our Values

Teams explored how our new values translate into day to day actions: We are one team, delivering great service and keeping you safe. Being brave and thinking big, we embrace the future. We are creative, curious and continuously learning. We get things done!

Wellness Program

Our Wellness program offered 18 unique events focusing on Physical, Mental and Financial wellbeing.

Contracting Partners

Perth Airport inducted another 1,238 new contractors to bring the total number to 6,201.

Learning and Development

Our Learning and Development Business Partners delivered 465 onsite learning events, with 1,568 participants. In total our team members participated in 7,867 individual learning & development events delivered via classroom, seminars, skills workshops and eLearning programs.

Leadership Development

A leadership framework to support our new company vision and values was developed and implemented incorporating 360 reviews, one-on-one coaching and targeted workshops, supported with an industry leading online performance management system.

2017/2018	Perth Airport	Contractor
Annual Hours	545,236	1,068,972
Number of Lost Time Injuries	1	5
Lost Time Injury Frequency Rate*	1.83	4.68

*LTIFR = Lost Time Injury Frequency Rate per 1,000,000 hours worked

PERTH AIRPORT EMPLOYED 308 PEOPLE. THE WORKFORCE IS COMPRISED OF:

32%

FEMALES

68%

MALES

23%

ARE AGED UNDER 34 YEARS,

58%

ARE 35 TO 54 YEARS, AND

19%

ARE 55 YEARS AND OVER


Terminal 2
Drop a coin
Change a life
Supporting
Lifeline
WA

OUR COMMUNITY

Community Partnerships

Perth Airport believes our relationship with the Western Australian community is an essential part of our company values. We are committed to building strong and enduring relationships, working with local communities to build active partnerships, and contributing to a wide range of community activities which support organisations, families and non-for-profit groups.

Following an extensive review process, a new and strategic Community Support Program was developed in 2018 which focuses on supporting the communities in which we operate.

Our Community Support Program positively impacts the lives of many West Australians through our major partnerships, Community Active Program, Community Boost Program, Perth Airport Local Schools Programs (PALS), our Terminal Collection Boxes and our Surrendered Items Auctions.

In FY 2018, our major community partnerships included:

- Lifeline WA
- Foodbank WA
- Perth Children's Hospital Foundation
- Telethon
- Perth Airport Achiever Awards
- Ronald McDonald House
- Kidsafe WA

Our inaugural Community Boost Program began in early 2018 inviting community groups to apply for a grant of up to $1,000. The Program has two rounds a year, supporting up to 40 initiatives per year.

Another initiative introduced in 2018 was the installation of six Terminal Collection Boxes throughout Terminal 1 International. The boxes allow passengers, staff and members of the public to donate foreign and Australian coins and notes, with all funds raised donated to Lifeline WA.

The boxes will deliver up to $100,000 for Lifeline WA to fund the training of more volunteers.

Community Engagement

The most significant community project that Perth Airport undertook over the past 12 months was a period of public consultation with the community on the New Runway Project.

The New Runway Project will see an investment of $520 million and the creation of almost 500 jobs during construction, and will underpin the future operations of the airport. It is also expected to inject about $2 billion into the tourism sector in its first two decades of operation.

In May 2018, a draft Major Development Plan (MDP) was released and a 60 working-day community consultation process began.

As part of the commitment to engage with the community, Perth Airport:

- Wrote to more than 300,000 residents who live in areas surrounding the airport and under flight corridors
- Held more than 30 community expos and shopping centre visits
- Commissioned an Airport Experience Centre which was open six days a week for the public to learn more about the project. This provided more than 150 days of face-to-face opportunities for the public to learn about the New Runway Project.

Indigenous Engagement

Perth Airport acknowledges the Noongar people as the traditional custodians of the land on which the airport is located.

In 2009, Perth Airport, the traditional custodians and other Aboriginal Elders entered into an historic partnership agreement to engage in good faith for the ongoing development of Perth Airport and Aboriginal heritage and reconciliation. The agreement provides the foundation for the parties to discuss airport planning issues, and provide direct financial support through community sponsorships.

In FY18, we proudly continued our commitment through:

- Regular meetings with the Aboriginal Partnership Group (PAG) to discuss issues related to airport development, conservation management, and ongoing support for cultural awareness activities
- Two Perth Airport Aboriginal and Torres Strait Islander Scholarships each valued at $15,000 for tertiary students at Edith Cowan University
- Cultural performances in Terminal 1 International throughout NAIDOC Week
- The commissioning of an artwork from a local Noongar artist to interpret the NAIDOC Week theme for 2018, “Because of her, we can”
- Sponsorship of the Indigenous Small Business Category in the Belmont and WA Small Business Awards

Professor Colleen Hayward, Pro-Vice-Chancellor (Equity and Indigenous), Edith Cowan University

“The partnership that ECU has with Perth Airport is very valued and positive. Scholarships enable Aboriginal students to continue with their studies when often they have competing demands from family and community. It is scholarships like this that can really change lives.”

Lorna MacGregor, CEO Lifeline WA

“It’s a wonderful way to not only raise much needed funds for Lifeline WA but also to remind people that they can reach out if they need to talk to someone. We’re very grateful that Perth Airport has thrown its support behind Lifeline WA, and we ask passengers to the airport and those seeing off or welcoming family and friends to drop some spare coins or notes into the boxes.”

OUR ENVIRONMENT

Perth Airport is committed to operating in a sustainable manner and incorporating sustainability into all aspects of its business.

In FY18, we established measurable performance targets aligned with Global Reporting Initiative Standards which will be incorporated into business unit sustainability implementation plans.

- We achieved the Airports Council International (ACI) Level 1 'Mapping' Certification which recognised and accredited our efforts to measure and map our carbon footprint
- We are currently in application for Level 2 'Carbon Reduction' under the Airport Carbon Accreditation scheme
- A Carbon Management Plan has been developed to facilitate reduced emissions
- Perth Airport has committed to ongoing understanding and reduction of its carbon emissions through the development of an emissions reduction target

Environmental Management and Compliance

Annual reporting and compliance requirements were met and there were no significant environmental incidents reported. A major revision of the Environmental Management System in alignment with ISO14001:2015 was also completed.

Water Use

Perth Airport remains compliant with its Water Efficiency Management Plan and shows ongoing reductions in water consumption, both per passenger and in total.

School Environmental Education

Perth Airport has continued its long-standing support of science and environmental education for school children. Grants were provided to 11 local schools for attending environmental and heritage awareness programs, and to cover school-based environmental programs and equipment.

Environmental Monitoring Network

Environmental monitoring was completed in compliance with the monitoring schedule and reports provided to regulatory agencies for review.

Tenant Compliance

The tenant auditing program continued with 40 tenants undergoing audits based on existing performance and risk profile. Additionally, an extensive review of tenant Dangerous Goods and Hazardous Materials use and storage across the estate was completed.

Projects

Environmental improvement works were conducted including trials to improve water quality values of the northern main drain, and erosion stabilisation works were completed at the southern main drain Living Stream.

Extensive studies in relation to environmental impacts, controls, and improvements were completed in association with major project approvals lodged with regulatory agencies.

Perth Airport continued to support the Forrestfield Airport Link project through earthworks and tunnelling operations.

Contamination Management

Perth Airport monitors and manages the legacy issue of contamination on the airport estate in accordance with relevant regulations and guidelines. Perth Airport supports the ongoing investigation, management and remediation of historical PFAS contamination by Airservices Australia and the development of sound environmental regulation and guidance by the Department of Infrastructure, Regional Development and Cities.

Perth Airport understands that its success goes hand in hand with operating sustainably and meeting the expectations of the community

FINANCIAL STATEMENTS

Directors' Report

The directors present their report together with the annual report of Perth Airport Development Group Pty Ltd ("PADG" or "the Company") for the financial year ended 30 June 2018 and the auditor's report thereon. The financial report complies with International Financial Reporting Standards as disclosed in note 1(b)(ii).

The consolidated annual report of Perth Airport Development Group Pty Ltd comprises the financial report of Perth Airport Development Group Pty Ltd and its 100% Australian resident subsidiaries Perth Airport Pty Ltd ("PAPL") and Perth Airport Development Group Investments Pty Ltd ("PADGI"), which forms the consolidated entity ("the Group"). 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 Alan Dundas

Mr Andrew Agnew

Mr Andrew Fellowes (appointed 31 January 2018 and resigned on 30 June 2018)

Mr Aniruddha Chakraborty (appointed as alternate for Jane Park on 27 September 2017 and resigned as alternate for Jane Park on 30 June 2018)

Mr Cameron McDonald (appointed 27 September 2017 and resigned on 30 June 2018)

Ms Charmaine Twomey (appointed as alternate for Andrew Agnew on 30 May 2018)

Mr Clive Appleton

Mr Colin Atkin (resigned as alternate for Steven Rankine on 21 November 2017)

Mr Colin Beckett (resigned 30 April 2018)

Ms Elizabeth Albergoni (appointed 1 July 2018)

Ms Jane Park (resigned on 30 June 2018)

Mr Lyndon Rowe

Mr Malcolm Skene (appointed 1 July 2018 and resigned as alternate for Lyndon Rowe on 30 June 2018)

Mr Matthew Lorback (resigned 27 September 2017)

Mr Neville Power (appointed 1 May 2018)

Ms Rhoda Phillipo (alternate director to Steven Fitzgerald and Wendy Norris)

Mr Phil Walker (appointed 1 July 2018 and resigned as alternate for Steven Fitzgerald on 30 June 2018)

Mr Steven Fitzgerald

Mr Steven Rankine (resigned 21 November 2017)

Ms Wendy Norris

Company Secretary

Mr Greg Jacobson

Ms Sein Wen Tie (resigned 27 July 2018)

Directors' Report
(continued)

Corporate Structure

PADG is a proprietary company limited by shares that is incorporated and domiciled in Australia. PADG'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 $79,600,000 (2017: $119,188,000).

Nature of Operations and Principal Activities

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

Dividends

Ordinary dividends declared and paid during the year ending 30 June 2018 were:

Ordinary Dividends	Dollars per share	Total Amount $'000	Date of payment
Interim ordinary dividend	0.67	98,711	29 December 2017
Final ordinary dividend	0.82	120,896	29 June 2018
		219,607	

Ordinary dividends were franked at a benchmark franking percentage of 57.43% (2017: 19.09%). The franked dividends paid during the year ending 30 June 2018 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 PADG have been granted during the financial year and there were no options outstanding at the end of the financial year.

Aboriginal Heritage Regulation

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

- Aboriginal Heritage Act 1972 (State)

Environmental Regulation

PADG 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.

Directors' Report
(continued)

1. Airport Environment Strategy

The Perth Airport Environment Strategy as part of the 2014 Perth Airport Master Plan, received the approval of the Minister for Infrastructure and Regional Development on 9 January 2015 in accordance with the Airports Act 1996.

2. Environment Reporting

An Annual Environment Report was submitted to the Department of Infrastructure and Regional Development in October 2017 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 PADG's Environmental Management Framework.

National Pollutant Inventory (NPI), National Greenhouse and Energy (NGER) and Australian Bureau of Statistics Environment Indicators Survey reporting was undertaken and reports submitted as required in September and October 2017.

3. Land Development Approvals

All development approvals initiated in the year ending 30 June 2018 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 PADG at the airport. All PADG owned facilities are currently licensed in accordance with these regulations.

6. Incidents

PADG recorded a number of environmental incidents occurring at Perth Airport during the year ending 30 June 2018, none of which were assessed as having serious consequences and/or long-term impact on the environment.

7. Board Reporting

The Board receives regular reports on compliance with environmental requirements.

Security Management

PADG 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.

Directors' Report
(continued)

Occupational, Safety and Health Management

PADG 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. PADG'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 PADG 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

PADG 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 Company'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 Company'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 5 and forms part of the Directors' Report for the year ended 30 June 2018.

Rounding off

The Company is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Directors' Report
(continued)

Significant Changes in the State of Affairs

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

Indemnification of Auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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 Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Signed in accordance with a resolution of the Board of Directors on 26 September 2018.

Neville Power
Chairman

Perth, Western Australia
26 September 2018

Building a better working world

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

As lead auditor for the audit of Perth Airport Development Group Pty Ltd for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Perth Airport Development Group Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Robert A Kirkby
Partner
26 September 2018

RK:DA:PAPL:018

Corporate Governance Statement

A description of the Company's main corporate governance practices are set out below. 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 is properly managed. The Board draws on relevant corporate governance principles, including the following, to assist it to contribute to the performance of the Company:

- The Corporations Act (Cth) 2001
- The Company's Constitution
- The Shareholders' Agreement
- ASX 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 Shareholders' Agreement, from which the Board derives its authority to act, and with all legal and regulatory requirements.

The Board is the governing body of the Company and establishes, monitors and controls a framework of prudential controls to advance the Company in the interests of the shareholders. The Board ensures that the Company acts in accordance with prudent commercial principles, high ethical standards and otherwise strives to meet shareholder expectations through maximising long-term value.

The responsibilities and functions of the Board include:

- In relation to the position of Chief Executive Officer (CEO) - appointing, evaluating performance, setting remuneration and succession planning.
- In relation to 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, including the Company's Risk Management Framework and Core Risk Register.
- 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.

Corporate Governance Statement
(continued)

- 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 vision, 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 Board Committees and the CEO.
- Approval of the acquisition or disposal of any Company or business.
- Approval of aeronautical and public car park charges.
- Approval of the capital management policies and treasury policies.
- Approval of Investment Process Policy.
- 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 Shareholders' Agreement and in accordance with the following principles and guidelines:

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

To support Board effectiveness and efficiency, the Board has established a number of committees.

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.

Consolidated statement of financial position
As at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**11,444**	13,118
Trade and other receivables	8	**63,069**	69,845
Prepayments	9	**2,433**	1,654
Other financial assets	10	**16,241**	15,180
Total Current Assets		**93,187**	99,797
Non-Current Assets			
Capitalised lease - operational land	11	**121,516**	122,392
Investment property	12	**1,296,911**	1,243,622
Infrastructure, plant and equipment	13	**1,382,011**	1,402,556
Goodwill	14	**443,598**	443,598
Other intangible assets	14	**11,689**	10,547
Derivative financial instruments	19	**54,517**	72,226
Prepayments	9	**910**	1,646
Total Non-Current Assets		**3,311,152**	3,296,587
Total Assets		**3,404,339**	3,396,384
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**105,253**	110,597
Employee benefit liabilities	16	**5,896**	5,668
Interest-bearing loans & borrowings	17	**120,000**	-
Deferred revenue	18	**837**	877
Income tax payable		**7,452**	8,649
Total Current Liabilities		**239,438**	125,791
Non-Current Liabilities			
Employee benefit liabilities	16	**576**	642
Interest-bearing loans & borrowings	17	**2,092,058**	2,053,075
Deferred revenue	18	**16,256**	17,066
Derivative financial instruments	19	**14,005**	10,345
Deferred tax liabilities	20	**394,640**	413,621
Total Non-Current Liabilities		**2,517,535**	2,494,749
Total Liabilities		**2,756,973**	2,620,540
Net Assets		**647,366**	775,844
EQUITY			
Contributed equity	21	**161,865**	161,865
Reserves	21(a)	**278,367**	266,838
Retained earnings		**207,134**	347,141
Total Equity		**647,366**	775,844

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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

Profit or loss	Notes	2018 $'000	2017 $'000
Revenue from continuing operations	2(a)	**523,288**	519,598
Change in fair value of investment property	2(c)	**227**	21,914
Operating expenses	3(a)	**(169,985)**	(171,974)
Earnings before interest, depreciation and amortisation		**353,530**	369,538
Finance revenue	2(b)	**1,129**	57,833
Finance expenses	3(b)	**(161,614)**	(170,487)
Depreciation	3(c)	**(75,297)**	(77,866)
Amortisation	3(d)	**(5,165)**	(6,327)
Profit from continuing operations before income tax		**112,583**	172,691
Income tax expense	4	**(32,983)**	(53,503)
Profit from continuing operations after income tax		**79,600**	119,188
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Revaluation of capitalised lease – operational land	21(a)	**16,472**	50,058
Income tax on items that may not be reclassified to profit or loss	21(a)	**(4,943)**	(15,017)
Net other comprehensive income not to be reclassified to profit or loss in subsequent years		**11,529**	35,041
Other comprehensive income for the year, net of tax		**11,529**	35,041
Total comprehensive income for the year, net of tax		**91,129**	154,229

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the year ended 30 June 2018

	Notes	Contributed Equity $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2016		**161,865**	**231,797**	**467,490**	**861,152**
Profit for the year after income tax		-	-	119,188	119,188
Other comprehensive income		-	35,041	-	35,041
Total comprehensive income for the year		**-**	**35,041**	**119,188**	**154,229**
Transactions with owners in their capacity as owners:					
Ordinary dividends paid	6	-	-	(239,537)	(239,537)
Balance at 30 June 2017		**161,865**	**266,838**	**347,141**	**775,844**
Profit for the year after income tax		-	-	79,600	79,600
Other comprehensive income		-	11,529	-	11,529
Total comprehensive income for the year		**-**	**11,529**	**79,600**	**91,129**
Transactions with owners in their capacity as owners:					
Ordinary dividends paid	6	-	-	(219,607)	(219,607)
Balance at 30 June 2018		**161,865**	**278,367**	**207,134**	**647,366**

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

Consolidated Statement of cash flows
For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Cash receipts from customers		**529,659**	525,700
Cash paid to suppliers and employees		**(172,983)**	(153,393)
Interest received		**298**	529
Income tax paid		**(58,102)**	(18,236)
Net cash flows from operating activities	25	**298,872**	354,600
Cash flows from investing activities			
Purchase of intangibles		**(4,691)**	(9,315)
Proceeds from sale of infrastructure, plant and equipment		**42**	164
Purchase of investment property, infrastructure, plant and equipment		**(94,027)**	(85,969)
Net cash flows used in investing activities		**(98,676)**	(95,120)
Cash flows from financing activities			
Proceeds from borrowings – syndicated facility agreement A		**-**	90,000
Proceeds from borrowings – syndicated facility agreement B		**320,000**	360,000
Proceeds from borrowings – working capital facility		**-**	40,000
Prepayment of borrowings – syndicated facility agreement A		**-**	(30,000)
Prepayment of borrowings – syndicated facility agreement B		**(200,000)**	(135,000)
Prepayment of borrowings – working capital facility		**-**	(20,000)
Repayment of borrowings – bond issue 10 years		**-**	(240,000)
Related party receivable		**103**	(103)
Ordinary dividends paid	6	**(219,607)**	(239,537)
Interest paid – senior debt		**(102,366)**	(100,832)
Net cash flows used in financing activities		**(201,870)**	(275,472)
Net decrease in cash and cash equivalents		**(1,674)**	(15,992)
Cash and cash equivalents at beginning of financial year		**13,118**	29,110
Cash and cash equivalents at the end of financial year	7	**11,444**	13,118

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

Consolidated notes to the financial statements
30 June 2018

1. Significant Accounting Policies

(a) Reporting entity

Perth Airport Development Group Pty Ltd ("PADG" or "the Company") is a proprietary company limited by shares which is incorporated and domiciled in Australia. The consolidated annual report of Perth Airport Development Group Pty Ltd comprises the financial report of Perth Airport Development Group Pty Ltd and its 100% Australian resident subsidiaries Perth Airport Pty Ltd ("PAPL") and Perth Airport Development Group Investments Pty Ltd ("PADGI"), which forms the consolidated entity ("the Group").

(b) Basis of preparation

(i) Going concern

The financial 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.

(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 financial report of the Company complies 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 Company was authorised for issue in accordance with a resolution of the directors on 26 September 2018.

(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(s).

(iv) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency and presentation currency of the Company.

PADG is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(v) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by PADG. 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

Investments in subsidiaries are carried at fair value in the separate financial statements of the parent entity less any impairment charges (refer to note 29). The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. 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.

(c) 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(s). The accounting policies set out below have been applied consistently to all periods presented in the financial statements, and have been applied consistently by the Company.

The impact of new accounting standards and amendments issued but not yet adopted is detailed at note 1(u).

(d) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as currency swaps and interest rate swaps, to economically 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(i) Derivatives that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are economic hedges consistent with the Hedging Policy included within the Treasury Policy. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are classified as held for trading. These financial assets or financial liabilities are measured at fair value through profit or loss, with subsequent changes in fair value being recognised immediately in the profit or loss and included within finance revenue or finance expense.

(ii) Current versus non-current classification

When the Company 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.

(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 Company 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.

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

(i.ii) 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. Bank overdrafts that are repayable on demand which form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i.iii) 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(i.iv) 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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(i.v) Impairment of financial assets

The Company 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.

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

(ii) Financial liabilities

(ii.i) Initial recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company 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 Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(ii.ii) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, except for accrued interest on debt instruments, and are usually paid within 30 days of recognition. Trade and other payables are measured at their amortised cost using the effective interest method, less any impairment losses.

(ii.iii) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs, except for the Syndicate facilities and Working Capital Facility which are initially recognised at their fair value with attributable transaction costs recognised separately as a prepayment. The borrowing costs attributable to the Syndicate facilities and Working Capital Facility are classified as a prepayment as they provide the Company with a right to drawdown money from the revolver facilities over their respective useful life.

Subsequent to initial recognition, all interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the profit or 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.

Interest-bearing loans and borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

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

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(ii.iv) Other

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

(ii.v) 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.vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(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 or 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.

For a transfer from investment property to owner-occupied property or capitalised lease-operational land, 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 Company 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 Company 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 Company 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 Company 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(o).

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(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 or loss. Rental income from investment property is accounted for as described in note 1(k).

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

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

(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 Company 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 Company 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 Company 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 PADG 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.

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(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:

	2018	2017
Plant and equipment	**2.50 – 32.00%**	5.00 – 33.00%
Buildings	**1.00 – 25.00%**	1.01 – 15.00%
Fixed plant and equipment	**2.00 – 25.00%**	5.00 – 15.00%
Runways, taxiways and aprons	**1.00 – 20.00%**	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 Company includes the cost of materials used in construction, direct labour on the project and consultancy and professional fees associated with the project.

(vii) Reclassification to investment property

When the use of a property changes from owner-occupied or capitalised lease-operational land, to investment property, the property is remeasured to fair value and reclassified as investment property. Any loss is recognised in the asset revaluation reserve to the extent that an amount is included in the asset revaluation reserve for that property, with any remaining loss recognised immediately in the profit or loss. Any gain arising on re-measurement is recognised in the profit or 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.

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(viii) Reclassification from investment property

When the use of an investment property changes such that it is reclassified as infrastructure, plant or equipment, or capitalised lease-operational land, 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 reclassification of land for future operational purposes. For a transfer from investment property to owner-occupied property or capitalised lease-operational land, the deemed cost of property for subsequent accounting is its fair value as per the most recent independent valuation that has been recognised in the financial accounts.

(ix) Leased assets

Leases where the Company 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 or loss in the year the asset is derecognised.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(h) Intangibles

Intangible assets that are acquired separately by the Company 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 or 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 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 14. 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 Company’s interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(ii) Other Intangible Assets

Software licenses with definite useful life

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. Contractual intangible assets and 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 or loss.

Capitalised master plan costs

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. 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 or loss.

Domain Name

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 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.

Occupational safety and health 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.

(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 Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(i) Impairment of non-financial assets

The carrying amounts of the Company'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 Company 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(j) Provisions

Provisions are recognised when the Company 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 Company 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.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 or 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 Company 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) Retail 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 investment property is recognised in the profit or 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

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 Company 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.

(l) 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 or 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.

(m) 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, except capitalised borrowing costs as outlined in note 1(e)(ii.iii) are recognised in profit or loss using the effective interest method.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(n) Employee Benefits

(i) Defined contribution superannuation funds

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

Obligations for contributions to defined contribution plans are recognised as an operating expense in the profit or 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 and salaries 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 Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Liabilities for annual leave and long service leave are discounted by reference to market yields at the end of the reporting period on high quality corporate bonds which have maturity dates approximating to the terms of the Company's obligations.

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 Company as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term incentives or long term incentive plans if the Company 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 Company'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 Company's obligations.

(o) 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(ii) Operating leases

Payments made under operating leases are recognised in profit or 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.

(p) Income taxes

(i) PADG

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

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

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

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

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

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

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(ii) Tax consolidation

Perth Airport Development Group Pty Ltd ("PADG") is the head entity of the tax consolidated group which comprises of PADG and its two 100% owned Australian resident subsidiary companies Perth Airport Pty Ltd and Perth Airport Development Group Investments Pty Ltd. The implementation date of the tax consolidated system for the tax consolidated group was 1 July 2003. PADGI joined the income tax consolidated group on the 24 March 2016.

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 or any tax-loss deferred tax asset assumed by the head entity.

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. Accordingly, PAPL and PADGI recognises tax in relation to its intragroup transactions.

Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in PAPL's and PADGI's statement of financial position and their tax values applying under tax consolidation. Consolidation adjustments to reflect transactions within the group are ignored and as a result deferred taxes associated with these adjustments are recognised only on consolidation and not in the separate financial statements of PAPL and PADGI under the stand alone taxpayer approach.

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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(q) 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.

(r) 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

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

A number of the Company'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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(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 Company carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Company engaged independent valuation specialists to determine fair value as at 30 June 2018. 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 12.

(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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(t) 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. The renewal option is exercisable in the 40th year of the initial lease term.

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

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

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

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

(vi) The termination provisions of the 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(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 apply to all building activity on the airport sites, with such activity to be consistent with the Master Plan and Major Development Plans,
- A five year Master Plan 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

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 1. Significant Accounting Policies (continued)

(u) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies are consistent with those disclosed in Annual Report 30 June 2017, except for the impact of all new or amended standards and interpretations. With the exception of AASB 9 the adoption of these standards and interpretations did not result in any significant changes to the Group's accounting policies.

(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 2018, outlined in the table below. The application date is the beginning of the applicable annual reporting period unless otherwise stated:

Reference	Title	Summary	Application date of standard	Application date for Company	Impact on Company financial report
AASB 9, and relevant amending standards	Financial Instruments	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.	1 January 2018	1 July 2018	There is not expected to be any material impact on the financial position or performance of the Company from adopting this standard.
AASB 15, and relevant amending standards	Revenue from Contracts with Customers	The core principle of AASB 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 an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2018	1 July 2018	There is not expected to be any material impact on the financial position or performance of the Company from adopting this standard, however it is likely that additional narrative disclosures will be required.

Reference	Title	Summary	Application date of standard	Application date for Company	Impact on Company financial report
AASB 16	Leases	AASB16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1 January 2019	1 July 2019	The Company is continuing to evaluate the impact of the new standard. To date, Management has not identified any material impact on the financial position or performance of the Company from adopting this standard.

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 2. Revenues	2018 $'000	2017 $'000
(a) Revenue from continuing operations		
Aeronautical charges	**233,929**	228,451
Retail revenue	**62,547**	62,447
Ground transport services	**85,415**	85,266
Investment property rentals	**84,401**	80,707
Net gain on premium leasing	**810**	10,969
Recharge property services	**51,255**	48,525
Other revenue	**4,935**	3,326
Net loss on disposal of property, plant and equipment	**(4)**	(93)
	523,288	519,598

	2018 $'000	2017 $'000
(i) Revenue from external customers		
Australia	**523,288**	519,598
	523,288	519,598

The revenue information above is based on the domiciled location of the customer.

	2018 $'000	2017 $'000
(b) Finance revenue		
Interest income	**1,129**	1,352
Fair value gain on interest rate swaps at fair value through profit or loss – held for trading	**-**	26,197
Foreign currency gain - USPP debt retranslation to spot rate	**-**	30,284
	1,129	57,833

	Notes	2018 $'000	2017 $'000
(c) Other (loss) / income			
Fair value (loss) / gain adjustment to investment land	12	**(7,557)**	28,541
Fair value loss adjustment to investment buildings	12	**(3,009)**	(6,331)
Fair value gain / (loss) adjustment to ground leases & licenses	12	**10,793**	(296)
Fair value gain adjustment to investment property		**227**	21,914

Note 3. Expenses	Notes	2018 $'000	2017 $'000
(a) Operating expenses			
Employee expenses		**42,640**	42,450
Defined contribution superannuation expense		**4,119**	4,400
Recharged expenses		**70,243**	68,263
Services and utilities		**26,444**	28,456
General administration and office overheads		**17,459**	17,673
Doubtful debts expense	8(a)	**(870)**	1,395
Bad debts written off / (recovered)		**140**	(78)
Maintenance expenses		**9,810**	9,415
		169,985	171,974

Consolidated notes to the financial statements\
30 June 2018 (continued)

Note 3. Expenses (continued)

	Notes	2018 $'000	2017 $'000
(b) Finance Expenses			
Senior debt interest expense		**102,562**	100,913
Capitalised interest		**(2,723)**	(135)
Amortisation of upfront borrowing costs		**2,122**	2,224
Total interest expense		**101,961**	103,002
Fair value loss on cross currency swaps at fair value through profit or loss – held for trading		**17,709**	66,674
Fair value loss on interest rate swaps at fair value through profit or loss – held for trading		**3,660**	-
Foreign currency loss - USPP debt retranslation to spot rate	17(d)	**37,473**	-
Other		**811**	811
Total Finance expenses		**161,614**	170,487

	Notes	2018 $'000	2017 $'000
(c) Depreciation			
Plant and equipment		**3,636**	5,547
Leased: Buildings		**22,736**	23,687
Fixed plant and equipment		**20,109**	20,078
Runways, taxiways and aprons		**8,999**	8,763
Other infrastructure		**19,817**	19,791
Total Depreciation	13	**75,297**	77,866

	Notes	2018 $'000	2017 $'000
(d) Amortisation			
Other intangible assets	14	**3,615**	4,853
Capitalised lease – operational land	11	**1,550**	1,474
Total Amortisation		**5,165**	6,327

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 4. Income Tax Expense

	Notes	2018 $'000	2017 $'000
The major components of income tax expense are:			
Deferred income tax			
Deferred income tax in respect of current year		**17,653**	(5,061)
Deferred income tax in respect of previous year		**6,269**	(518)
	20	**23,922**	(5,579)
Current income tax			
Current income tax charge in respect of current year		**(51,481)**	(46,669)
Current income tax in respect of previous year		**(5,424)**	(1,255)
Income tax expense reported in profit or loss		**(32,983)**	(53,503)
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the applicable income tax rate is as follows:			
Accounting profit before income tax from continuing operations		**112,583**	172,691
At the statutory income tax rate of 30% (2017: 30%)		**(33,775)**	(51,806)
Deferred income tax in respect of previous year		**6,269**	(518)
Current income tax in respect of previous year		**(5,424)**	(1,255)
Non-deductible items		**(53)**	76
Income tax expense reported in profit or loss		**(32,983)**	(53,503)
Effective Tax Rate		**29.30%**	30.98%
Statement of changes in equity			
Current income tax related to items charged directly to equity in respect of revaluation of capitalised lease – operational land	21(a)	**(4,943)**	(15,017)
Income tax expense reported in equity	20	**(4,943)**	(15,017)

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

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 5. Auditor's Remuneration

The auditor of the Group is Ernst & Young Australia.

	2018 $	2017 $
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 consolidated group	**139,615**	138,407
• Other services in relation to the entity in the group		
Assurance related	**53,775**	53,354
Tax compliance	**53,350**	72,475
Taxation services	**96,341**	59,263
Other non-audit services	**89,950**	-
	433,031	323,499

Note 6. Dividends paid and proposed

(a) Dividends declared and paid – Ordinary Dividends:	2018 $'000	2017 $'000
Interim ordinary dividend paid on 29 December 2017: 0.67 dollars per share (2016: 0.69 dollars per share)	**98,711**	100,674
Final ordinary dividend paid on 29 June 2018: 0.82 dollars per share (2017: 0.95 dollars per share)	**120,896**	138,863
	219,607	239,537

Ordinary dividends were franked at a benchmark franking percentage of 57.43% (2017: 19.09%). The franked dividends paid during the year ending 30 June 2018 were franked at the tax rate of 30%.

There have been no dividends proposed or declared after the balance sheet date.

Franking credit balance	2018 $'000	2017 $'000
The amount of franking credits available for the subsequent financial year are:		
Franking account credit balance at the end of the financial year at 30%	**4,054**	2
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**7,452**	8,649
The amount of franking credits available for future reporting periods	**11,506**	8,651

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 7. Cash and Cash Equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand	**11,444**	13,118

Cash at bank earns interest at variable 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 Company, and earn interest at the respective short-term deposit rates.

Cash at bank and on hand includes an amount of $276,000 (2017: $273,000) relating to security deposits received as sub-lessor from commercial property sub-leases. The Company is not required to repay interest in the event that these security deposits are returned to the sub-lessee.

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and financial liabilities are disclosed in note 22.

Note 8. Trade and Other Receivables

	Notes	2018 $'000	2017 $'000
Trade receivables	22(b)(1)(i)	**60,037**	68,831
Allowance for impairment loss	(a)	**(632)**	(1,502)
		59,405	67,329
Accrued revenue		**551**	243
Other receivables		**1,201**	930
Related party – PAPT Holdings Pty Ltd	27(iii)	**135**	103
Cross currency swaps net interest receivable		**1,777**	1,240
		63,069	69,845

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 carrying value of receivables. Collateral is held against trade receivables via security deposits and retentions (as disclosed in Note 7, 10 and 15) and bank guarantees. It is not the Company's policy to transfer (on-sell) receivables to special purpose entities.

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets is disclosed in note 22.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 8. Trade and Other Receivables (continued)

(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	2018 $'000	2017 $'000
At 1 July		**1,502**	107
Provision for impairment recognised / (reversed) during the year	3(a)	**(870)**	1,395
At 30 June		**632**	1,502

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

			Past due but not impaired			Considered impaired
	Total	**Neither past due nor impaired**	**31-60 days**	**61-90 Days**	**>91 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2018	**59,405**	**19,696**	**27,103**	**7,457**	**4,517**	**632**
2017	67,329	35,044	22,892	7,246	645	1,502

Trade receivables past due but not impaired are $39,077,000 (2017: $30,783,000). Payment terms on these amounts have not been renegotiated however there is no recent history of default. The Company 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 receivables primarily comprise interest income accrued from cash and cash equivalents which has not yet been received at balance date.

Note 9. Prepayments

	Notes	2018 $'000	2017 $'000
Current			
Other prepayments		**2,308**	1,568
Refinancing establishment costs		**125**	86
		2,433	1,654
Non-current			
Refinancing establishment costs		**910**	1,646
		910	1,646

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 10. Other Financial Assets

	2018	2017
	$'000	$'000
Security deposits	**116**	350
Operating lease receivable	**16,125**	14,830
	16,241	15,180

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

Note 11. Capitalised Lease – Operational Land

	Notes	2018	2017
		$'000	$'000
Carrying amount at 1 July		**122,392**	117,664
Transfer from investment land (i)	12	**2,217**	11,767
Transfer from ground leases and licenses	12	**18**	2,580
Transfer from investment buildings	12	**118**	-
Revaluation of operational land transferred to investment land	21(a)	**16,472**	50,058
Transfer to investment land	12(iv)	**(18,151)**	(58,203)
Amortisation expense	3(d)	**(1,550)**	(1,474)
Carrying amount at 30 June		**121,516**	122,392

(i) 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 of the investment land at the date of change in use.

The Company leases the airport land from the Commonwealth of Australia (refer to Note 1(t)), a portion of which is classified as a capitalised lease of operational land. The 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 12. Investment Property

	Notes	2018 $'000	2017 $'000
Investment Land - at fair value			
Carrying amount at 1 July		**558,750**	499,400
Premium lease disposals		**-**	(5,546)
Transfer to investment buildings under construction – at cost		**-**	(15,705)
Transfer to investment buildings		**(1,792)**	-
Transfer to operational land	11, (iii)	**(2,217)**	(11,767)
Transfer to ground leases and licenses		**(1,195)**	(1,576)
Transfer from operational land	11, (iv)	**18,151**	58,203
Transfer from ground leases and licenses		**580**	7,200
Revaluation (decrements)/increments	2(c)	**(7,557)**	28,541
Fair value at 30 June		**564,720**	558,750
Ground Leases and Licenses - at fair value			
Carrying amount at 1 July		**223,000**	231,500
Transfer to operational land	11	**(18)**	(2,580)
Transfer to investment land		**(580)**	(7,200)
Transfer from investment land		**1,195**	1,576
Revaluation increments/(decrements)	2(c)	**10,793**	(296)
Fair value at 30 June		**234,390**	223,000
Investment Buildings - at fair value			
Carrying amount at 1 July		**442,720**	446,870
Investment buildings – current year construction costs		**545**	2,181
Transfer from investment land		**1,792**	-
Transfer to operational land	11	**(118)**	-
Revaluation decrements	2(c)	**(3,009)**	(6,331)
Fair value at 30 June		**441,930**	442,720
Investment Buildings under construction – at cost			
Carrying amount at 1 July		**19,152**	-
Transfer from investment land – at fair value		**-**	15,705
New investment buildings under construction - at cost		**35,836**	3,446
Borrowing costs capitalised		**883**	1
Carrying amount at 30 June		**55,871**	19,152
Total Investment Property at 30 June		**1,296,911**	1,243,622

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 or loss. Colliers has considered market conditions and changes in their assessment of investment property values.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 12. Investment Property (continued)

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 $883,000 (2017: $1,000) of borrowing costs were capitalised on the construction of investment buildings.

(ii) During the year ending 30 June 2018, the Company entered into nil (2017: one) separate Board approved premium leasing transactions which resulted in the disposal of investment land with a carrying value of nil (2017: $5,546,000).

(iii) During the year investment land with a carrying value of $2,217,000 (2017: $11,767,000) was transferred to operational land. This transfer primarily reflects changes from the annual review of land available for non-operational development.

(iv) During the year operational land with a carrying value of $1,679,000 (2017: $8,146,000) was transferred to investment land. The land was valued at $18,151,000 (2017: $58,203,000) at the date of transfer. The revaluation increase of $16,472,000 (2017: $50,058,000) 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 previously designated operational land that is now classified as investment land.

The following table provides the fair value measurement hierarchy of the company's investment properties as at 30 June 2018 and 30 June 2017.

30 June 2018	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Investment Property at fair value				
Investment land	-	-	**564,720**	**564,720**
Ground leases and licenses	-	-	**234,390**	**234,290**
Investment buildings	-	-	**441,930**	**441,930**
	-	**-**	**1,241,040**	**1,241,040**
30 June 2017				
Investment Property at fair value				
Investment land	-	-	558,750	558,750
Ground leases and licenses	-	-	223,000	223,000
Investment buildings	-	-	442,720	442,720
	-	-	1,224,470	1,224,470

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 12. Investment Property – at Valuation (continued)

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

	Valuation technique	Significant unobservable inputs	Range	
			2018	2017
Investment land	Direct comparison approach	Site rate	\$20/m² - \$427/m²	\$20/m² - \$427/m²
Ground leases and licenses	Income capitalisation	Capitalisation rate	6.00% - 15.00%	7.25% - 15.00%
		Market rental rate	\$11.10 /m² pa net to \$1,242.00/m² pa net	\$11.10 /m² pa net to \$1,231.00/m² pa net
	Direct comparison approach	Site rate	\$380/m² - \$405/m²	\$305/m² - \$405/m²
Investment buildings	Income capitalisation	Capitalisation rate	6.50% - 14.00%	7.00% - 13.00%

Leasing arrangements

The Company enters into commercial property leases on its investment property portfolio, comprising premium leases (refer to note 1(k)(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:

	2018 \$'000	2017 \$'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	**65,930**	73,172
Later than one year but not later than 5 years	**124,128**	145,385
Later than 5 years	**104,528**	103,669
	294,586	322,226

Note 13. Infrastructure, Plant and Equipment

Information relating to security over assets is set out in note 17(c).

During the year borrowing costs were capitalised on the construction of qualifying assets. Included within assets under construction is borrowing costs of \$6,330,000 (2017: \$7,205,000) which were capitalised at a weighted average interest rate of 3.97% (2017: 3.94%).

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Consolidated notes to the financial statements
30 June 2018 (continued)

Note 13. Infrastructure, Plant and Equipment (continued)

		Infrastructure Assets Under Lease						
	Plant and Equipment $'000	Buildings $'000	Fixed Plant and Equipment $'000	Runways, Taxiways and Aprons $'000	Other Infrastructure $'000	Total Infrastructure Assets Under Lease $'000	Assets under Construction $'000	Total $'000
Gross Carrying Value at cost - 1 July 2016	**34,138**	**233,184**	**129,936**	**232,744**	**333,879**	**929,743**	**730,349**	**1,694,230**
Additions - accruals	-	1,000	-	-	-	1,000	-	**1,000**
Additions	-	-	-	-	-	-	75,451	**75,451**
Transfers - capitalised work in progress	17,087	396,266	120,505	21,533	74,864	613,168	(630,255)	**-**
Disposals	(638)	-	(239)	-	(17)	(256)	-	**(894)**
Gross Carrying Value - 30 June 2017	**50,587**	**630,450**	**250,202**	**254,277**	**408,726**	**1,543,655**	**175,545**	**1,769,787**
Accumulated Depreciation - 1 July 2016	**(23,469)**	**(70,339)**	**(67,026)**	**(47,403)**	**(81,651)**	**(266,419)**	**-**	**(289,888)**
Depreciation charge for the year	(5,547)	(23,687)	(20,078)	(8,763)	(19,791)	(72,319)	-	**(77,866)**
Disposals	490	-	16	-	17	33	-	**523**
Accumulated Depreciation - 30 June 2017	**(28,526)**	**(94,026)**	**(87,088)**	**(56,166)**	**(101,425)**	**(338,705)**	**-**	**(367,231)**
Carrying Value 1 July 2016	**10,669**	**162,845**	**62,910**	**185,341**	**252,228**	**663,324**	**730,349**	**1,404,342**
Carrying Value 30 June 2017	**22,061**	**536,424**	**163,114**	**198,111**	**307,301**	**1,204,950**	**175,545**	**1,402,556**

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 13. Infrastructure, Plant and Equipment (continued)

		Infrastructure Assets Under Lease						
	Plant and Equipment $'000	Buildings $'000	Fixed Plant and Equipment $'000	Runways, Taxiways and Aprons $'000	Other Infrastructure $'000	Total Infrastructure Assets Under Lease $'000	Assets under Construction $'000	Total $'000
Gross Carrying Value at cost - 1 July 2017	**50,587**	**630,450**	**250,202**	**254,277**	**408,726**	**1,543,655**	**175,545**	**1,769,787**
Additions - accruals	-	-	-	-	-	-	-	**-**
Additions	-	-	-	-	-	-	56,532	**56,532**
Transfers - capitalised work in progress	7,592	23,748	56,607	5,697	51,003	137,055	(144,647)	**-**
Disposals	(118)	-	-	-	-	-	(1,734)	**(1,852)**
Gross Carrying Value - 30 June 2018	**58,061**	**654,198**	**306,809**	**259,974**	**459,729**	**1,680,710**	**85,696**	**1,824,467**
Accumulated Depreciation - 1 July 2017	**(28,526)**	**(94,026)**	**(87,088)**	**(56,166)**	**(101,425)**	**(338,705)**	**-**	**(367,231)**
Depreciation charge for the year	(3,636)	(22,736)	(20,109)	(8,999)	(19,817)	(71,661)	-	**(75,297)**
Disposals	72	-	-	-	-	-	-	**72**
Accumulated Depreciation - 30 June 2018	**(32,090)**	**(116,762)**	**(107,197)**	**(65,165)**	**(121,242)**	**(410,366)**	**-**	**(442,456)**
Carrying Value 1 July 2017	**22,061**	**536,424**	**163,114**	**198,111**	**307,301**	**1,204,950**	**175,545**	**1,402,556**
Carrying Value 30 June 2018	**25,971**	**537,436**	**199,612**	**194,809**	**338,487**	**1,270,344**	**85,696**	**1,382,011**

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 14. Goodwill and Other Intangible Assets

	Notes	Goodwill $'000	Other Intangible Assets: Domain name with indefinite useful life $'000	Capitalised master plan costs $'000	Occupational Safety and Health Management System $'000	Licenses with definite useful life $'000	Work in progress $'000	Total Other Intangible Assets $'000
Cost								
At 1 July 2016		**443,598**	**106**	**1,788**	**898**	**22,701**	**11**	**25,504**
Cost derecognised		-	-	-	-	(250)	-	(250)
Additions		-	-	-	-	7,125	2,190	9,315
At 30 June 2017		**443,598**	**106**	**1,788**	**898**	**29,576**	**2,201**	**34,569**
Cost derecognised		-	-	-	-	(1,625)	-	(1,625)
Additions		-	-	-	252	3,496	1,009	4,757
At 30 June 2018		**443,598**	**106**	**1,788**	**1,150**	**31,447**	**3,210**	**37,701**
Amortisation								
At 1 July 2016		**-**	**-**	**536**	**209**	**18,669**	**-**	**19,414**
Amortisation derecognised		-	-	-	-	(245)	-	(245)
Amortisation expense	3(d)	-	-	356	90	4,407	-	4,853
At 30 June 2017		**-**	**-**	**892**	**299**	**22,831**	**-**	**24,022**
Amortisation derecognised		-	-	-	-	(1,625)	-	(1,625)
Amortisation expense	3(d)	-	-	358	114	3,143	-	3,615
At 30 June 2018		**-**	**-**	**1,250**	**413**	**24,349**	**-**	**26,012**
Net book value								
At 30 June 2018		**443,598**	**106**	**538**	**737**	**7,098**	**3,210**	**11,689**
At 30 June 2017		443,598	106	896	599	6,745	2,201	10,547

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 14. Goodwill and Other Intangible Assets (continued)

Goodwill

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.

The Company uses a long term financial model ("the model") to derive an equity valuation 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 the premium lease of investment 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 period over which management has projected cash flows is 25 years (2017: 25 years), while the terminal value growth rate used to extrapolate cash flow projections is 3.0% (2017: 3.0%).
- The cost of equity discount rate is reviewed annually in conjunction with PADG shareholders. The cost of equity risk adjusted discount rate range that was applied to cash flow projections was 10.4% to 11.0% (2017: 10.7% to 11.4%).

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. Accordingly 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 equity valuation (recoverable amount of the cash generating unit) compared to Total Equity at 30 June (carrying amount of the cash generating unit) 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 15. Trade and Other Payables

	Notes	2018 $'000	2017 $'000
Trade payables – unsecured		**10,393**	14,255
Syndicated facility – Tranche A interest payable		**205**	216
Syndicated facility – Tranche B interest payable		**479**	243
Working capital facility – interest payable		**41**	43
$A medium term note interest payable		**9,813**	9,807
United States Private Placement - Series A, B, C, E, F and G interest payable		**17,961**	17,270
United States Private Placement - Series D and H interest payable		**3,407**	3,407
Interest rate swaps – net interest payable		**873**	1,077
Accrued borrowing expenses		**84**	137
Other creditors - unsecured		**59,589**	60,201
Security deposits	7, 10	**635**	626
Net GST Payable		**1,773**	3,315
		105,253	110,597

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 22.

Note 16. Employee Benefit Liabilities

	2018 $'000	2017 $'000
Annual Leave and Long Service Leave		
Current		
Annual Leave	**2,609**	2,663
Long Service Leave	**3,287**	3,005
Total	**5,896**	5,668
Non-current		
Long Service Leave	**576**	642

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 17. Interest-bearing loans & borrowings

	Interest Rate %	Maturity	2018 $'000	2017 $'000
Current Senior loans & borrowings				
Senior Secured Debt				
Syndicated facility – Tranche A	BBSY + 1.05	3 June 2019	**100,000**	-
Working capital facility	BBSY + 1.05	3 June 2019	**20,000**	-
Total current senior loans & borrowings			**120,000**	-
Non-current Senior loans & borrowings				
Senior Secured Debt				
Syndicated facility – Tranche A	BBSY + 1.05	3 June 2019	**-**	100,000
Syndicated facility – Tranche B	BBSY + 1.15	3 June 2020	**345,000**	225,000
Working capital facility	BBSY + 1.05	3 June 2019	**-**	20,000
United States Private Placement – Series A - $USD	4.47	26 July 2022	**67,471**	64,833
United States Private Placement – Series B - $USD	4.57	26 July 2024	**107,897**	103,686
United States Private Placement – Series C - $USD	4.77	26 July 2027	**188,720**	181,367
United States Private Placement – Series D - $A	7.32	26 July 2022	**29,916**	29,896
United States Private Placement – Series E - $USD	3.50	9 July 2025	**134,772**	129,502
United States Private Placement – Series F - $USD	3.60	9 July 2027	**202,109**	194,221
United States Private Placement – Series G - $USD	3.75	9 July 2030	**269,413**	258,918
United States Private Placement – Series H - $A	5.14	9 July 2030	**99,585**	99,550
Medium Term Note – Fixed Income Bond $150m	6.00	23 July 2020	**149,612**	149,418
Medium Term Note – Fixed Income Bond $400m	5.50	25 March 2021	**397,738**	396,889
Medium Term Note – Floating Bond $100m	BBSW + 2.05	26 March 2024	**99,825**	99,795
Total non-current senior loans & borrowings			**2,092,058**	2,053,075

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 17. Interest-bearing loans & borrowings (continued)

(b) Financing Arrangements

(i) $AUD interest-bearing loans and borrowings	2018 $'000	2017 $'000
Total facilities available:		
Syndicated facility - Tranche A	**100,000**	100,000
Syndicated facility - Tranche B	**450,000**	450,000
$A Medium Term Note – Fixed Income Bond $150m	**150,000**	150,000
$A Medium Term Note – Fixed Income Bond $400m	**400,000**	400,000
$A Medium Term Note - Floating Bond	**100,000**	100,000
United States Private Placement – Series D	**30,000**	30,000
United States Private Placement – Series H	**100,000**	100,000
Working capital facility	**20,000**	20,000
	1,350,000	1,350,000
Facilities utilised at reporting date		
Syndicated facility - Tranche A	**100,000**	100,000
Syndicated facility - Tranche B	**345,000**	225,000
$A Medium Term Note – Fixed Income Bond $150m	**150,000**	150,000
$A Medium Term Note – Fixed Income Bond $400m	**400,000**	400,000
$A Medium Term Note - Floating Bond	**100,000**	100,000
United States Private Placement – Series D	**30,000**	30,000
United States Private Placement – Series H	**100,000**	100,000
Working capital facility	**20,000**	20,000
	1,245,000	1,125,000
Facilities not utilised at reporting date		
Syndicated facility - Tranche B	**105,000**	225,000
	105,000	225,000

(ii) $USD interest-bearing loans and borrowings	2018 $'000	2017 $'000
Total facilities available and utilised:		
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
United States Private Placement – Series E	**100,000**	100,000
United States Private Placement – Series F	**150,000**	150,000
United States Private Placement – Series G	**200,000**	200,000
	720,000	720,000

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 17. Interest-bearing loans & borrowings (continued)

(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, Working Capital Facility Agreement, Perth Airport Australian Medium Term Note Trust Deed and Note and Guarantee 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 2018 was 2.89:1 (2017: 3.44:1).

(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 2018 was 0.38:1 (2017: 0.39:1). Refer to note 22 for further details.

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

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30 June 2018 (continued)

Note 17. Interest-bearing loans & borrowings (continued)

(d) Reconciliation of interest-bearing loans & borrowings

	Balance 30 June 2017	Cash flows		Non-cash changes		Balance 30 June 2018
		Proceeds	Prepayments	Amortisation of Upfront Borrowing Costs	Foreign Exchange Movement	
Senior Secured Debt	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Syndicated facility – Tranche A	100,000	-	-	-	-	**100,000**
Syndicated facility – Tranche B	225,000	320,000	(200,000)	-	-	**345,000**
Working capital facility	20,000	-	-	-	-	**20,000**
United States Private Placement – Series A	64,833	-	-	36	2,602	**67,471**
United States Private Placement – Series B	103,686	-	-	47	4,164	**107,897**
United States Private Placement – Series C	181,367	-	-	66	7,287	**188,720**
United States Private Placement – Series D	29,896	-	-	20	-	**29,916**
United States Private Placement – Series E	129,502	-	-	65	5,205	**134,772**
United States Private Placement – Series F	194,221	-	-	81	7,807	**202,109**
United States Private Placement – Series G	258,918	-	-	87	10,408	**269,413**
United States Private Placement – Series H	99,550	-	-	34	-	**99,584**
$A Medium Term Note – Fixed Bond $150m	149,418	-	-	194	-	**149,612**
$A Medium Term Note – Fixed Bond $400m	396,889	-	-	849	-	**397,738**
$A Medium Term Note – Floating Bond $100m	99,795	-	-	31	-	**99,826**
Total interest-bearing loans & borrowings	2,053,075	320,000	(200,000)	1,510	37,473	**2,212,058**

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 17. Interest-bearing loans & borrowings (continued)

(d) Reconciliation of interest-bearing loans & borrowings (continued)

	Balance 30 June 2016	Cash flows			Non-cash changes		Balance 30 June 2017
		Proceeds	Prepayments	Reclassification of Refinancing Establishment Costs	Amortisation of Upfront Borrowing Costs	Foreign Exchange Movement	
Senior Secured Debt	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Bond Issue - 10 Years	239,898	-	(240,000)	-	102	-	**-**
Syndicated facility – Tranche A	39,652	90,000	(30,000)	348	-	-	**100,000**
Syndicated facility – Tranche B	(1,859)	360,000	(135,000)	1,859	-	-	**225,000**
Working capital facility	(50)	40,000	(20,000)	50	-	-	**20,000**
United States Private Placement – Series A	66,901	-	-	-	36	(2,104)	**64,833**
United States Private Placement – Series B	107,003	-	-	-	47	(3,364)	**103,686**
United States Private Placement – Series C	187,189	-	-	-	66	(5,888)	**181,367**
United States Private Placement – Series D	29,875	-	-	-	21	-	**29,896**
United States Private Placement – Series E	133,643	-	-	-	65	(4,206)	**129,502**
United States Private Placement – Series F	200,449	-	-	-	81	(6,309)	**194,221**
United States Private Placement – Series G	267,244	-	-	-	87	(8,413)	**258,918**
United States Private Placement – Series H	99,515	-	-	-	35	-	**99,550**
$A Medium Term Note – Fixed Bond $150m	149,224	-	-	-	194	-	**149,418**
$A Medium Term Note – Fixed Bond $400m	396,041	-	-	-	848	-	**396,889**
$A Medium Term Note – Floating Bond $100m	99,763	-	-	-	32	-	**99,795**
Total interest-bearing loans & borrowings	2,014,488	490,000	(425,000)	2,257	1,614	(30,284)	**2,053,075**

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 18. Deferred Revenue

	2018 $'000	2017 $'000
Current Liabilities:		
Balance at 1 July	**877**	944
Recognised as income	**(1,115)**	(944)
Transfer from non-current liabilities	**810**	877
Deferred revenue received during the year	**265**	-
Balance at 30 June	**837**	877
Non-Current Liabilities:		
Opening balance at 1 July	**17,066**	17,943
Transfer to current liabilities	**(810)**	(877)
Balance at 30 June	**16,256**	17,066

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.

Note 19. Derivative Financial Instruments – Assets and Liabilities

		2018 $'000	2017 $'000
Financial non-current assets at fair value through profit or loss			
Derivatives – Held for Trading			
Cross currency swaps	(ii)	**54,517**	72,226
Total financial non-current assets at fair value through profit or loss		**54,517**	72,226
Financial non-current liabilities at fair value through profit or loss			
Derivatives – Held for Trading			
Interest rate swaps not designated as cash flow hedges	(i)	**(14,005)**	(10,345)
Total financial non-current liabilities at fair value through profit or loss		**(14,005)**	(10,345)
Total financial non-current assets/ (liabilities)		**40,512**	61,881

(i) Interest rate swaps

Interest rate swap contracts 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 that are exposed to a variable rate of borrowing. 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 19. Derivative Financial Instruments – Assets and Liabilities (continued)

The notional amount and maturity date of the interest rate swap contracts are as follows:

At 30 June 2017

Maturity Date	Jun-21	Nov-24	Feb-26	Mar-26	Total Notional
Notional	200,000,000	90,000,000	130,000,000	235,000,000	655,000,000

At 30 June 2018:

Maturity Date	Jun-21	Feb-26	Mar-26	July-27	Total Notional
Notional	200,000,000	130,000,000	235,000,000	90,000,000	655,000,000

The fair value of interest rate swaps that are offset, and subject to enforceable ISDA Master Agreements as at 30 June 2018 and 30 June 2017:

	2018			2017		
	Assets $'000	**Liabilities $'000**	**Total $'000**	Assets $'000	Liabilities $'000	Total $'000
Interest rate swaps						
Fair value	**92,899**	**(106,904)**	**(14,005)**	104,712	(115,057)	(10,345)

(ii) Cross currency swaps

(a) A United States Private Placement was settled on 26 July 2012 which raised USD $270 million and AUD$30 million. 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**	**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	AUD_BBR_BBSW	3.1749%	4.7700%	26 July 2027
80,000,000	81,946,223	AUD_BBR_BBSW	3.1825%	4.5700%	26 July 2024
50,000,000	51,216,389	AUD_BBR_BBSW	3.2565%	4.4700%	26 July 2022
270,000,000	276,568,502				

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 19. Derivative Financial Instruments – Assets and Liabilities (continued)

(ii) Cross currency swaps (continued)

(b) A United States Private Placement was settled on 9 July 2015 which raised USD $450 million and AUD $100 million. To hedge the $USD foreign currency risk, cross currency swap transactions were traded on 28 April 2015 with a settlement date of 9 July 2015.

The net impact, as detailed beneath, was to exchange USD $450 million for AUD $565.68 million:

Initial Exchange PAPL Pays $USD	Initial Exchange PAPL Receives $AUD	PAPL Pays $AUD Fixed	PAPL Receives $USD Fixed	Maturity Date
200,000,000	251,414,204	5.2075%	3.7500%	9 July 2030
150,000,000	188,560,654	4.9966%	3.6000%	9 July 2027
100,000,000	125,707,102	4.8490%	3.5000%	9 July 2025
450,000,000	565,681,960			

The fair value of cross currency swaps that are offset, and subject to enforceable ISDA Master Agreements as at 30 June 2018 and 30 June 2017:

	2018			2017		
	Assets	**Liabilities**	**Total**	Assets	Liabilities	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Cross currency swaps						
Fair value	**1,015,485**	**(960,968)**	**54,517**	1,023,263	(951,037)	72,226

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 20. Deferred Tax Liabilities

	Notes	Statement of Financial Position		Profit or Loss		Other Comprehensive Income	
		2018	2017	**2018**	2017	**2018**	2017
Deferred income tax at 30 June relates to:		**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Deferred tax liabilities							
Accelerated depreciation for tax purposes		**35,497**	41,973	**(6,476)**	399	**-**	-
Revaluations of investment properties to fair value		**318,434**	311,132	**2,362**	6,938	**4,943**	15,017
Capitalised lease - operational land		**36,455**	36,717	**(263)**	1,418	**-**	-
Contractual intangible assets		**657**	790	**(134)**	(231)	**-**	-
Derivative financial instruments – held for trading		**16,355**	21,668	**(5,313)**	(20,002)	**-**	-
Property development income - future assessable amounts		**32,815**	33,936	**(1,121)**	3,751	**-**	-
Accrued revenue		**166**	76	**90**	(809)	**-**	-
Lessor Contribution		**348**	42	**307**	42	**-**	-
		440,727	446,334	**(10,548)**	(8,494)	**4,943**	15,017
Deferred tax assets							
Provision for doubtful debts and Work in progress write-offs		**(190)**	(970)	**780**	(938)	**-**	-
Accrued expenses		**(6,545)**	(5,179)	**(1,366)**	(1,987)	**-**	-
Capitalised legal expenses		**(467)**	(54)	**(413)**	43	**-**	-
Derivative financial instruments – held for trading		**(4,202)**	(3,104)	**(1,098)**	7,859	**-**	-
Finance costs		**(32,742)**	(21,513)	**(11,229)**	9,067	**-**	-
Employee benefits		**(1,941)**	(1,893)	**(48)**	29	**-**	-
		(46,087)	(32,713)	**(13,374)**	14,073	**-**	-
Net deferred tax liabilities at 30 June		**394,640**	413,621				
Deferred tax expense	4			**23,922**	5,579		
Net transfers to Other Comprehensive Income	4					**4,943**	15,017

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 21. Contributed Equity

Movement in ordinary shares on issue	No. shares	$'000
At 30 June 2016	146,774,081	161,865
Share issue	-	-
At 30 June 2017	146,774,081	161,865
Share issue	**-**	**-**
At 30 June 2018	**146,774,081**	**161,865**

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 valuation increment arising from revaluing operational land held at cost to fair value, prior to the transfer of operational land to investment property.

	Notes	2018 $'000	2017 $'000
Balance at 1 July		**266,838**	231,797
Revaluation of capitalised lease – operational land transferred to investment land	11	**16,472**	50,058
Deferred tax - other comprehensive income	4, 20	**(4,943)**	(15,017)
Balance at 30 June net of deferred tax		**278,367**	266,838

Note 22. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

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

(a) Capital Risk Management

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.

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 Company'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 Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified, including the setting of limits for hedging of interest rate risk.

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 specific requirements relating to Distributions contained within the following documents:

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

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(a) Capital Risk Management (continued)

Financial Leverage

The ultimate Australian parent entity of PAPL is Perth Airport Development Group Pty Ltd ("PADG"), which at 30 June 2018 owns 100% (2017: 100%) of the issued ordinary shares of PAPL (refer to Note 27(vii)). PADG aims to maintain a leverage ratio below 0.75:1 (2017: 0.75:1) (refer to Note 17(c)(ii)). The leverage ratio is defined as the ratio of outstanding gross senior debt to the sum of:

- Outstanding gross senior debt;
- The book carrying value of PADG's 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.

The leverage ratios based on continuing operations is:	**2018**	2017
	$'000	$'000
Accrued interest on senior debt facilities	**32,778**	32,063
Syndicated facility – Tranche A	**100,000**	100,000
Syndicated facility – Tranche B	**345,000**	225,000
Working capital facility	**20,000**	-
Australian medium term note – Fixed Income Bond	**550,000**	550,000
Australian medium term note – Floating Bond	**100,000**	100,000
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
United States Private Placement – Series E	**125,707**	125,707
United States Private Placement – Series F	**188,561**	188,561
United States Private Placement – Series G	**251,414**	251,414
United States Private Placement – Series H	**100,000**	100,000
Total senior debt	**2,120,028**	1,979,313
Book carrying value of PADG's investment in PAPL (1)	**3,397,900**	3,116,200
Leverage ratio	**38%**	39%

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

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(b) Risk exposures and mitigation

(1) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company has adopted the policy of only dealing with creditworthy counterparties, and the Audit Committee monitors financial institution counterparty credit risk exposure on a semi-annual basis.

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

	Notes	2018 $'000	2017 $'000
Cash and cash equivalents	7	**11,444**	13,118
Trade and other receivables	8	**63,069**	69,845
Other financial assets	10	**16,241**	15,180
Derivative financial instruments – cross currency swaps	19	**54,517**	72,226
		145,271	170,369

(i) Trade and other receivables

Trade and other receivables consist of customers across a number of industry sectors. Accordingly the Company has a diverse range of customers and tenants. There is no significant concentrations of receivables credit risk, either by counterparty or geographically.

One of the methods used to manage the concentration of risks relating to these instruments is to report on the Company's exposure by customer type. 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 7 and Note 10). There are no other credit enhancements.
- Receivable balances are monitored on a regular ongoing basis with the result that PAPL's exposure to bad debts is insignificant.

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 directly 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 Company's maximum exposure to credit risk for trade receivables without taking account of any collateral was:

	Notes	2018 $'000	2017 $'000
Aeronautical debtors		**46,156**	38,364
Property debtors		**4,414**	3,412
Ground transport debtors		**1,811**	1,206
Retail debtors		**6,456**	7,313
Sundry trade debtors		**1,200**	18,536
	8	**60,037**	68,831

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(1) Credit risk (continued)

(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 Company's financial assets represents the maximum credit exposure.

(2) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

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

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

To ensure liquidity is maintained in accordance with the Treasury Policy, updates are presented to the Board in the form of rolling 12 month cash flow forecasts. The use of a committed working capital facility and committed syndicated facility agreements to meet short term liquidity requirements is also available. At balance date, the Company had available $105,000,000 (2017: $225,000,000) of committed facilities not utilised (refer to note 17(b)).

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(2) Liquidity risk (continued)

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 2018. The respective undiscounted cash flows for the respective upcoming fiscal years are presented.

The timing of cash flows for financial 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 Company 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:

2018	**Carrying amount $'000**	**Total Contractual cash flows $'000**	**Less 12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Non derivative financial assets						
Cash and cash equivalents	11,444	11,444	11,444	-	-	-
Trade and other receivables	63,069	63,069	63,069	-	-	-
Derivative financial assets						
Cross Currency Swap (gross settled) – held for trading						
- Outflow	-	(1,241,706)	(43,090)	(43,305)	(132,359)	(1,022,952)
- Inflow	-	1,319,096	39,174	39,174	117,521	1,123,227
Cross currency swap carrying amount	54,517	-	-	-	-	-
Total financial assets	**129,030**	**151,903**	**70,597**	**(4,131)**	**(14,838)**	**100,275**
Non derivative financial liabilities						
Trade and other payables	(105,253)	(105,253)	(105,253)	-	-	-
Interest-bearing loans & borrowings	(2,212,058)	(2,784,466)	(216,333)	(425,771)	(824,431)	(1,317,931)
Income tax payable	(7,452)	(7,452)	(7,452)	-	-	-
Derivative financial liabilities						
Interest rate swap – held for trading (net settled)	(14,005)	(15,996)	(4,902)	(4,392)	(6,424)	(278)
Total financial liabilities	**(2,338,768)**	**(2,913,167)**	**(333,940)**	**(430,163)**	**(830,855)**	**(1,318,209)**
Net outflow			**(263,343)**	**(434,294)**	**(845,693)**	**(1,217,934)**

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(2) Liquidity risk (continued)

2017	Carrying amount $'000	Total Contractual cash flows $'000	Less 12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non derivative financial assets						
Cash and cash equivalents	13,118	13,118	13,118	-	-	-
Trade and other receivables	69,845	69,845	69,845	-	-	-
Derivative financial assets						
Cross Currency Swap (gross settled) – held for trading						
- Outflow	-	(1,278,888)	(41,950)	(42,393)	(129,852)	(1,064,693)
- Inflow	-	1,306,098	37,666	37,666	113,102	1,117,664
Cross currency swap carrying amount	72,226	-	-	-	-	-
Total financial assets	**155,189**	**110,173**	**78,679**	**(4,727)**	**(16,750)**	**52,971**
Non derivative financial liabilities						
Trade and other payables	(110,597)	(110,597)	(110,597)	-	-	-
Interest-bearing loans & borrowings	(2,053,075)	(2,704,007)	(89,160)	(209,872)	(986,756)	(1,418,219)
Income tax payable	(8,649)	(8,649)	(8,649)	-	-	-
Derivative financial liabilities						
Interest rate swap – held for trading (net settled)	(10,345)	(30,501)	(7,697)	(6,649)	(12,796)	(3,359)
Total financial liabilities	**(2,182,666)**	**(2,853,754)**	**(216,103)**	**(216,521)**	**(999,552)**	**(1,421,578)**
Net outflow			**(137,424)**	**(221,248)**	**(1,016,302)**	**(1,368,607)**

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(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 Company'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 Company's exposure to the risk of changes in market interest rates relates primarily to changes in the variable interest rates on PAPL's long-term debt obligations which is disclosed in note 17. The variable interest rate exposure of long-term debt obligations are economically hedged by issuing fixed rate long-term debt obligations and interest rate swaps that convert the variable interest rates into a fixed rate of interest.

Interest rate swap contracts outlined in note 19, with fair value of $14,005,000 out of the money (2017: $10,345,000) 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:

	2018 $'000	2017 $'000
Financial Assets		
Cash and cash equivalents	**11,444**	13,118
Cross currency swaps – held for trading	**54,517**	72,226
	65,961	85,344
Financial Liabilities		
Interest bearing loans and borrowings – variable rate	**564,825**	444,794
Interest rate swaps – held for trading	**14,005**	10,345
	578,830	455,139
Net Financial Liabilities	**(512,869)**	(369,795)

The Hedging Policy incorporated within the Treasury Policy prescribes the use of fixed rate long-term debt issuance, and interest rate swaps, to hedge minimum nominal principal amounts of senior debt for periods up to 5 years after balance sheet date.

At 30 June 2018, after taking into account the effect of these interest rate swaps, approximately 91.06% (2017: 96.62%) of the Company's drawn senior interest-bearing loans and borrowings is economically hedged at a fixed rate of interest. The Company regularly 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.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(3) Market risk (continued)

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 2018, 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 Other Equity	
Judgments of reasonable possible movements:	Increase / (decrease)	Increase / (decrease)	Increase / (decrease)	Increase / (decrease)
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
+25 basis points	**7,172**	7,833	**-**	-
-25 basis points	**(7,304)**	(7,985)	**-**	-

The movements in post-tax profit is due to higher/lower interest costs from variable rate debt and cash and cash equivalents. 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.

(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. The Company is also exposed to foreign currency accounts payable transactions in the ordinary course of business for immaterial amounts.

For the year ending 30 June 2018, the Company's exposure to the risk of changes in foreign exchange rates relates to cross currency swaps (refer to note 19(ii) and (iii), and the USPP (refer to note 17). 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 Other Equity	
Change in US$ Rate	**Increase / (decrease)**	**Increase / (decrease)**	**Increase / (decrease)**	**Increase / (decrease)**
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
+1%	**(20,333)**	(20,222)	**-**	-
-1%	**20,547**	20,442	**-**	-

Consistent with the Board approved Treasury Policy, the Company is 100% economically hedged for foreign currency risk.

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(3) Market risk (continued)

(iii) Estimation of fair value

The methods used in determining the fair values of financial instruments are discussed in note 1(s). Set out below is a comparison of the carrying amounts and fair values of financial instruments, other than trade and other receivables, and trade and other payables, both of which the carrying amount is a reasonable approximation of fair value:

	Carrying Amount		Fair Value	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cross currency swaps – held for trading	**54,517**	72,226	**54,517**	72,226
Total	**54,517**	72,226	**54,517**	72,226
Financial Liabilities				
Interest bearing loans and borrowings				
Variable rate borrowings	**564,825**	444,794	**566,585**	445,651
Fixed rate borrowings	**1,647,235**	1,608,281	**1,706,867**	1,702,391
Interest rate swaps – held for trading	**14,005**	10,345	**14,005**	10,345
Total	**2,226,065**	2,063,420	**2,287,457**	2,158,387

Cash and short term deposits, trade receivables, trade payables and other current liabilities reasonably approximate their fair value 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:

- 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.
- Fair values of the Company's interest-bearing borrowings and loans are determined by using a discounted cash flow 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 2018 was assessed to be insignificant.
- The fair value of unquoted instruments, 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.

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 22. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(3) Market risk (continued)

- 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 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. As at 30 June 2018, the fair value of derivative positions includes debit / credit valuation adjustments attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on other financial instruments recognised at fair value.

(iv) Fair Value Hierarchy

The fair value hierarchy of financial assets and financial liabilities is summarised in the table beneath:

	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
30 June 2018				
Financial Assets				
Cross currency swaps	**-**	**54,517**	**-**	**54,517**
Financial Liabilities				
Variable rate borrowings	**-**	**566,585**	**-**	**566,585**
Fixed rate borrowings	**-**	**1,706,867**	**-**	**1,706,867**
Interest rate swaps	**-**	**14,005**	**-**	**14,005**
	-	**2,287,457**	-	**2,287,457**
30 June 2017				
Financial Assets				
Cross currency swaps	-	72,226	-	72,226
Financial Liabilities				
Variable rate borrowings	-	445,651	-	445,651
Fixed rate borrowings	-	1,702,391	-	1,702,391
Interest rate swaps	-	10,345	-	10,345
	-	2,158,387	-	2,158,387

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 23. Capital and Leasing Commitments

(i) Capital Commitments

	2018 **$'000**	2017 $'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	**23,301**	25,545

(ii) Finance and Operating Leases

During the year ending 30 June 2018, the Company entered into nil (2017: one) separate Board approved premium leasing transactions which resulted in nil (2017: one) disposal of investment land with a carrying value of nil (2017: $5,546,000).

Note 24. Contingent Liabilities

(i) Native Title

The ability to claim for native title over airport land was extinguished in 2000 and hence no such claims can be made against the Company. Parts of Perth Airport (the Munday Swamp Bushland and Forrestfield Bushland) 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 14.

(iii) Legal

The Contractor on the Departures project has made claims against PAPL. Those claims are disputed by PAPL and PAPL has its own claim against the Contractor for liquidated damages (which is disputed).

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 25. Cash Flow Information

	Notes	2018 $'000	2017 $'000
Reconciliation of net profit after tax to net cash flows from operations			
Profit from continuing operations after income tax		**79,600**	119,188
Adjustments for:			
Depreciation and intangible amortisation	3(c), 3(d)	**78,912**	82,719
Capitalised lease – operational land amortisation	11	**1,550**	1,474
Derivative valuation and borrowing costs		**20,768**	42,568
Finance costs – revaluation of USPP	3(b), 2(b)	**37,473**	(30,284)
Fair value gain on investment property	2(c)	**(227)**	(21,914)
Loss on sale of infrastructure, plant and equipment	2(a)	**4**	93
Capital works in progress provision		**-**	(1,733)
		218,080	192,111
Changes in assets and liabilities			
Change in trade and other receivables		**4,979**	(15,312)
Change in other operating assets		**87**	5,471
Change in deferred tax assets	20	**(13,374)**	14,072
Change in deferred tax liabilities	20	**(5,607)**	6,524
Change in current tax liability		**(1,197)**	29,687
Change in deferred tax in equity	20	**(4,943)**	(15,017)
Change in trade and other payables		**(1,541)**	37,566
Change in deferred revenue	18	**(850)**	(944)
Change in other provisions	16	**162**	(96)
Change in interest-bearing liabilities		**714**	(294)
		196,510	253,768
Interest paid – senior debt		**102,362**	100,832
Net cash from operating activities		**298,872**	354,600

Note 26. Events after the Balance Sheet Date

The Financial 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.

There are no matters or circumstances that have arisen since 30 June 2018 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.

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 27. Related Party disclosure

(i) Compensation of Key Management Personnel

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

(i.i) Transactions with key management personnel
Executives who held office during the financial year were:

Kevin Brown – Chief Executive Officer
Brian Pereira – Chief Financial Officer
Guy Thompson – Chief Operating Officer (ceased employment 3 August 2018)
Tony Brun – Chief Strategy Officer (ceased employment 20 March 2018)
Steven Holden – Chief Property Officer (appointed 18 June 2018)
Rebecca Cook – Acting Chief Commercial Officer Retail and Ground Transport (appointed 18 June 2018)
Chris Pratt – Chief Projects Officer (ceased employment 14 August 2017)
Allan Mason – Chief Development and Projects Officer (appointed 12 July 2018)
Debra Blaskett – Chief Corporate Services Officer

The amounts disclosed in the beneath table are the amounts recognised as an expense during the reporting period related to Company executives:

	2018	2017
	$	$
Short-term employee benefits:		
Salary and fees	**3,057,369**	2,772,500
Annual Performance Payment	**922,293**	1,262,550
	3,979,662	4,035,050
Other benefits:		
Long Term Incentive Plan	**488,810**	757,670
	488,810	757,670
Post-employment benefits:		
Defined contribution superannuation expense	**222,008**	305,668
Termination benefits	**633,829**	1,628,916
	855,837	1,934,584
Total compensation	**5,324,309**	6,727,304

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 27. Related Party disclosure (continued)

(i.ii) Directors

The directors who held office during the financial year and up to the date of this report are noted in the Directors' Report. Directors have been appointed by shareholders are as follows:

- Utilities of Australia Pty Ltd as Trustee for Utilities Trust of Australia – Mr Cameron McDonald, Mr Clive Appleton, Mr Matthew Lorback and Mr Phil Walker.
- Utilities of Australia Pty Ltd as Trustee for the Perth Airport Property Fund - Ms Jane Park, Mr Andrew Fellowes, Mr Aniruddha Chakraborty, Mr Lyndon Rowe, Ms Elizabeth Albergoni, Mr Colin Atkin and Mr Steven Rankine.
- AustralianSuper Pty Ltd – Mr Lyndon Rowe and Mr Malcolm Skene.
- 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 - Ms Wendy Norris, Mr Steven Fitzgerald, Mr Phillip Walker, and Ms Rhoda Phillipo.
- The Infrastructure Fund – Mr Andrew Agnew, and Ms Charmaine Twomey.

(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 2018 amounted to $1,165,000 (2017: $1,096,000).

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 2018 there was an amount of $182,000 (2017: $113,000) in respect of fees payable to the shareholders per the DRS.

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 27. Related Party disclosure (continued)

(ii) 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.

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 2018, PAPL received from PAPT ground rental income of $150,000 (2017: $152,000). 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 2018, PAPL received $81,000 (2017: $112,000) 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 2018, PAPL received from PAPT recharged property service income of $791,000 (2017: $926,000). At 30 June 2018, there was $nil (2017: $215,000) of trade payables and $135,000 (2017: $103,000) related party payables from PAPT to PAPL.

Commitments with PAPT in relation to the ground leases contracted for at the reporting date but not recognised is as follows:

	2018	2017
	$'000	$'000
Minimum lease payments receivable under non-cancellable operating leases not recognised in the financial statements as receivable:		
Within one year	**113**	110
Later than one year but not later than 5 years	**454**	443
Later than 5 years	**2,469**	2,518
	3,036	3,071

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 27. Related Party disclosure (continued)

(iii) PAPT Holdings Pty Ltd

At 30 June 2018, there is a related party payables of $135,000 (2017: $103,000) owing from PAPT Holdings Pty Ltd to PAPL.

(iv) Perth Airport Development Group Investments

Perth Airport Development Group Investments Pty Ltd ("PADGI") was incorporated in Western Australia on the 24 March 2016. PADG holds 100% of the issued ordinary shares in PADGI, which comprises of 10 fully paid ordinary shares of $1.00 each.

PADGI and Vicinity Custodian Pty Ltd as trustee for the DFO Perth Trust entered into a Joint Venture Agreement on 2 May 2016, to construct a Direct Factory Outlet in the Airport West Retail Park. The agreement is classified for accounting purposes as an unincorporated joint operation.

During the year ending 30 June 2017, the Company sold to each venturer a 50% interest in a premium lease for total consideration of $31,412,000. The cost of the land sold was $11,091,000. The sale of land was made on terms equivalent to those that prevail in arm's length transactions. At 30 June 2018, PAPL has a receivable from PADGI of $275,000 (2017: $17,288,000).

(v) Other Related Parties

A shareholder, Australian Super Pty Ltd is the trustee of the Australian Super Superannuation Fund. Australian Super is the default superannuation fund for employees of Perth Airport.

A shareholder, Utilities Trust of Australia is managed by Hastings Funds Management Limited which is wholly owned by Westpac Banking Corporation (Westpac). Westpac provides financial services and debt facilities to the Company on normal commercial terms and conditions. As at 1 July 2018, Hastings Funds Management Limited ceased to manage Utilities Trust of Australia.

(vi) Perth Airport Pty Ltd

Transactions between PADG and PAPL for the year included payments / receipts to PADG in its capacity as the head entity of the tax-consolidated group (refer to note 1(p)(ii)), which is consistent with the tax funding agreement, tax sharing agreement and the stand-alone taxpayer approach. At 30 June 2018, PAPL has an income tax payable to the Company of $7,667,000.

	Notes	2018 $'000	2017 $'000
Income tax payable	1(r)(ii)	**7,667**	8,657
		7,667	8,657

Consolidated notes to the financial statements

30 June 2018 (continued)

Note 27. Related Party disclosure (continued)

(vi) Perth Airport Pty Ltd (continued)

The Company declared a dividend of $75,100,000 on 31 May 2017, which may be paid to PADG in instalments as determined by the Chief Financial Officer with regards to the amount and timing of the instalment payment, with each payment being a Dividend Instalment.

Dividends declared and paid –Dividend Instalments:	**2018**	2017
	$'000	$'000
Balance of dividend declared	**72,083**	75,100
Dividend Instalment paid	**(48,275)**	(3,017)
Dividend declared but not yet paid	**23,808**	72,083

Ordinary dividends declared and paid during the year were:	**2018**	2017
	$'000	$'000
Interim ordinary dividend paid on 29 December 2017: 0.67 dollars per share (2016: 0.69 dollars per share)	**98,711**	100,674
Final ordinary dividend paid on 29 June 2018: 0.82 dollars per share (2017: 0.95 dollars per share)	**120,896**	138,863
	219,607	239,537

Ordinary dividends were franked at a benchmark franking percentage of 57.43% (2017: 19.09%). The franked dividends paid during the year ending 30 June 2018 were franked at the tax rate of 30%.

There have been no dividends proposed or declared after the balance sheet date.

(vii) Perth Airport Development Group Pty Ltd Shareholders

PADG is owned by the following shareholders:

	2018	2017
	%	%
Gardior Pty Ltd as the Trustee for the Infrastructure Fund	**7.2%**	7.2%
Utilities of Australia Pty Ltd as the Trustee for the Utilities Trust of Australia	**38.3%**	38.3%
Utilities of Australia Pty Ltd as the Trustee for the Perth Airport Property Fund	**17.3%**	17.3%
AustralianSuper Pty Ltd	**5.3%**	5.3%
Sunsuper Pty Limited as trustee of the Sunsuper Infrastructure Trust 3 (Sunsuper)	**1.9%**	1.9%
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	**30.0%**	30.0%
	100.0%	100.0%

Note 28. Company Information

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

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

Consolidated notes to the financial statements
30 June 2018 (continued)

Note 29. Information relating to Perth Airport Development Group Pty Ltd ('the Parent entity')

	Notes	2018 $'000	2017 $'000
Current Assets		**83,411**	80,740
Non-Current Assets		**3,506,200**	3,450,817
Total Assets		**3,589,611**	3,531,557
Current Liabilities		**7,452**	8,657
Non-Current Liabilities		**1,003,301**	985,781
Total Liabilities		**1,010,753**	994,438
Contributed equity	21	**161,865**	161,865
Reserves		**2,341,035**	2,300,154
Retained earnings		**75,958**	75,100
Total Equity		**2,578,858**	2,537,119
Profit or loss after tax of the Parent entity		**220,465**	314,637
Total comprehensive income of the Parent entity		**261,345**	546,757

Consolidated notes to the Financial Statements

30 June 2018 (continued)

Note 29. Information relating to Perth Airport Development Group Pty Ltd ('the parent entity') (continued)

Investment in subsidiaries

For the year ending 30 June 2018, PADG engaged KPMG Corporate Finance (Aust) Pty Ltd to independently review the valuation model of PADG and PADGI at 30 June 2018. The fair value of this unlisted available-for-sale investment has been estimated using valuation techniques based on assumptions not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet, which is the mid point of a high and low valuation range, and the related changes in fair value recorded in the statement of changes in equity are reasonable and the most appropriate at the balance sheet date.

(a) Investment in Perth Airport Pty Ltd

	2018 $'000	2017 $'000
Carrying amount 1 July – at valuation	**3,397,900**	3,116,200
Unrealised gain on revaluation of subsidiary	**55,400**	281,700
Carrying amount 30 June	**3,453,300**	3,397,900

PADG is incorporated in Australia and holds 100% of the issued ordinary shares in Perth Airport Pty Ltd. Transactions between PADG and PAPL for the year consisted of subordinated shareholder loans advanced by PADG, and also payments from PAPL to PADG as the head entity of the tax-consolidated group representing the current tax liability assumed by PADG (refer to note 1(p)(ii)).

(b) Investment in Perth Airport Development Group Investments Pty Ltd

	2018 $'000	2017 $'000
Carrying amount 1 July	**49,900**	-
Unrealised gain on revaluation of subsidiary	**3,000**	49,900
Carrying amount 30 June	**52,900**	49,900

Perth Airport Development Group Investments Pty Ltd ("PADGI") was incorporated in Western Australia on the 24 March 2016. PADGI has been created as a special purpose vehicle to enter into the joint venture for a direct factory outlet development with Vicinity Centres.

PADG holds 100% of the issued ordinary shares in PADGI and has been allotted 10 fully paid ordinary shares of $1.00 each in PADGI.

PERTH AIRPORT DEVELOPMENT GROUP PTY LTD
ABN 53 076 286 630

Directors' Declaration

In accordance with a resolution of directors of Perth Airport Development Group 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 Company's and Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

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

    (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b)(ii);

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

Signed in accordance with a resolution of the Board of Directors on 26 September 2018.

Neville Power
Chairman

Perth, Western Australia
26 September 2018

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Independent Auditor's Report to the Members of Perth Airport Development Group Pty Ltd

Opinion

We have audited the financial report of Perth Airport Development Group Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Robert A Kirkby
Partner
Perth
26 September 2018

PerthAirport