Perth Airport

Annual Report 2016


Perth CBD – 12 kilometres
Grand Gateway
Tonkin & Leach Highway Interchange
New entry to T1/T2
Gateway WA
Tonkin Highway & Dunreath Interchange
New entry to T3/T4
T3 Expansion & Upgrade
Completed: 2014
Airfield Works
Completion: Ongoing
T1 Domestic
Completed: November 2015
Terminal 2
Completed: March 2013
Airport Drive
Completed: August 2015
T1 International Departures
Completed: Stage 1 – December 2013
Stage 2 – February 2016
T1 Forecourt &
Car Park Expansion
Completed: November 2016
T1 International Arrivals
Completed: Stage 1 – Late 2013
Stage 2 – Early 2015

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About Perth Airport

Perth Airport Pty Ltd (Perth Airport) is the fourth largest capital city airport in Australia, with 13.8 million passenger movements in FY16.

ASIA & MIDDLE EAST ACCESS

Perth Airport is geographically well positioned for the Asian and Middle-Eastern markets.

GATEWAY TO WESTERN AUSTRALIA

Perth Airport is serviced by 20 international and 13 domestic and regional airlines.

RESOURCE SECTOR

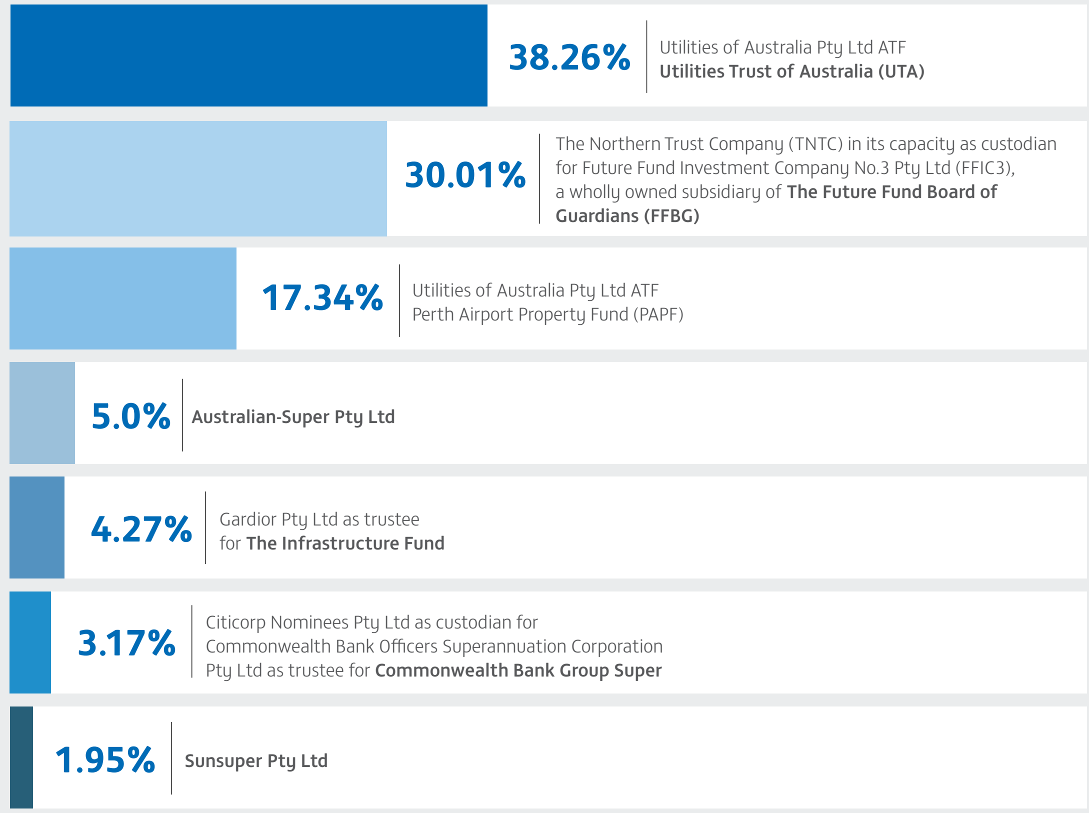
The airport is a vital link in the supply chain of the WA resource sector.

- International passenger numbers grew by 1.4 per cent, however, domestic passenger numbers decreased by 2.9 per cent during FY16.
- As the gateway to Western Australia, Perth Airport is serviced by 20 international and 13 domestic and regional airlines, contributing significantly to Western Australia's economy and playing a major part in the $10.04 billion tourism industry.
- Domestically, Perth Airport provides an access point to the State from interstate locations and serves as the central transportation hub for regional destinations, such as popular tourist destinations and regional mine sites. The airport is a vital link in the supply chain of the WA resource sector for the fly-in, fly-out (FIFO) mode of workforce.
- Perth is geographically well positioned for the Asian and Middle Eastern markets. Key Asian destinations are within range for narrow-bodied aircraft and services to the Middle East can be completed on a 24 hour turnaround basis.
- Perth Airport comprises one International Terminal (T1) and four Domestic Terminals (T1, T2, T3 and T4), as well as a General Aviation precinct.
- The Perth Airport estate is situated on 2,105 hectares and operates under a 99 year lease from the Commonwealth Government, which commenced in 1997.

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



Financial Snapshot

$144.1m
OPERATING PROFIT

$489.7m
TOTAL REVENUE

$102.4m
NET PROFIT

$207.7m
CAPITAL EXPENDITURE

Highlights

2016

- Opening of the new T1 Domestic Terminal – home to Virgin Australia's domestic operations – in November 2015 at a cost of $220 million.
- Stage 2 of the T1 International Departures Expansion Project completed in February 2016 including expanded check-in, outbound immigration, security screening areas and two new departure gates.
- Stage 1 of the T1 Forecourt Road and Short Term Car Park Expansion completed in November 2015 resulting in a new 27 metre landscaped plaza.
- Commencement of the infrastructure upgrade to a Category III (CAT III) aerodrome to improve visibility during inclement weather, such as fog.
- Approval of a $45 million investment in pre-construction activities for the Third Runway Project, including environmental and other approvals, airspace design and public consultation.
- The largest plane in the world, the Antonov – An 225 Mriya visited Perth Airport on 15 May 2016 attracting over 25,000 visitors during its three day visit.
- Malindo Air commenced a daily service between Perth and Kuala Lumpur in November 2015.
- Etihad Airways introduced its Boeing 787/900 Dreamliner on the Perth-Abu Dhabi route in June.
- In May Perth Airport announced a joint venture with Vicinity Centres to develop and own a Direct Factory Outlet (DFO) on the airport estate.
- Perth Airport was announced the winner of *Best Airport Staff Service – Australia/Pacific* at the 2016 Skytrax World Airport Awards in March.
- The new-look Perth Airport website was launched in June (www.perthairport.com.au).
- International passenger numbers grew by 1.4 per cent.
- There were 23,000 car parking bays across the airport estate.

The largest plane in the world, the Antonov – An 225 Mriya visited Perth Airport on 15 May 2016 attracting over 25,000 visitors during its three day visit.

Chairman's Message

Perth Airport enjoyed a successful year as we continue to transform our terminal facilities and create a world-class gateway to the State of Western Australia for both international and domestic visitors.

Our Operating Profit After Tax was $102 million and our Earnings Before Interest Tax Depreciation Amortisation (EBITDA) was $281 million. During the year, capital expenditure of over $189 million was invested to improve the customer experience and capacity.

Perth Airport has undergone a major transformation. A number of key elements of the historic $1 billion redevelopment delivered in the past 12 months include the opening of the new $220 million Domestic Terminal, the completion of the $50 million Terminal 1 Forecourt and Car Park expansion and the $157.5 million Terminal 1 International Departures expansion.

Upgrades have also been delivered to the outbound and inbound Immigration and Customs processing points which has resulted in improved international processing, along with expanded and improved check-in and security screening areas, upgraded check-in and baggage reclaim facilities, all while continuing to operate in a 24/7 environment with minimal impact to customers.

Perth Airport was awarded the coveted Australian Airports Association (AAA) Industry Award for Capital City Airport of the Year in 2016, recognising our achievements and exceptional results in the areas of customer experience, operations, community engagement, environmental management and commercial success.

To be named Capital City Airport of the Year is a great honour and recognises Perth Airport's commitment to enhancing customer service, improving infrastructure and continuing to be involved in a variety of community projects.

We also achieved our best score to date in the renowned Airport Service Quality (ASQ) quarterly survey and won the *Best Airport Staff Service – Australia / Pacific* at the 2016 Skytrax World Airport Awards.

Our On Time Performance (OTP) results for aircraft arrivals and departures placed us as the equal second highest of the major airports in Australia.

Perth Airport welcomed 4,253,608 international passengers in 2015/16, a 1.4 per cent increase from FY15, while domestic passenger numbers dropped by 2.9 per cent to 9,504,805.

Despite the challenging domestic outlook, the level of international growth reinforces the significant contribution Perth Airport makes to the Western Australian economy.

The slow-down in the resource sector and broader economy continues to be reflected in declining domestic numbers. However, it is critical that we continue to focus on potential sources of growth through tourism and emerging markets.

As the gateway to Western Australia, Perth Airport is committed to supporting tourism through establishing new and improved airline partnerships to encourage growth in international visitor numbers. We will continue to work closely with Tourism WA and Tourism Council WA to promote Western Australia as a destination of choice and to attract new airlines and increased frequency from existing airlines.

With an extensive portfolio of existing industrial premises exceeding 120,000 square metres, and a significant vacant land holding, Perth Airport is progressively developing land that is not required for future aviation purposes. During the year, Perth Airport has become a 'destination of choice' for a number of large industrial business operators.

During the year, there were significant changes to the management of Perth Airport with outgoing Chief Executive Officer Brad Geatches who concluded a nine year term with the Perth Airport. I would like to take this opportunity to thank Brad for his outstanding contribution to the redevelopment of the State's most significant infrastructure asset.

In July 2016, Kevin Brown commenced in the role of Chief Executive Officer. Kevin has over 13 years' experience in the aviation industry gained in local and international markets. With a clear commitment to strategy development, delivery and the growth of tourism in the State, the Board welcomes Kevin's appointment and looks forward to working closely with him over the coming years.

On behalf of the Board of Directors I wish to thank the Perth Airport Executive team and staff for their hard work and congratulate them on their achievements.

I would also like to thank the shareholders for their continued commitment to the company and their support for the vision we have for Perth Airport.

Board of Directors

Mr Colin Beckett (CHAIRMAN)
MEng, GAICD

Appointed to the Board in January 2015, Mr Beckett holds Non–Executive roles as Chancellor of Curtin University, Chairman of Western Power, and is a director of Beach Energy. Mr Beckett previously held senior executive positions at Chevron Australia Pty Ltd, notably, as the General Manager responsible for the development of the Gorgon LNG and domestic gas project, being developed on Barrow Island, off the coast of Western Australia.

Prior to this, Mr Beckett was employed at Mobil and BP in Australia and in the United Kingdom. Mr Beckett is a past Chairman and board member of the Australian Petroleum Producers and Explorers Association, past Chairman of the CSIRO Energy and Transportation Sector Advisory Board, a past member of the WA Technology and Industry Advisory Council and a past member of the UWA Oceans Institute.

He has a Master of Arts in Engineering from Cambridge University, and is a member of the Institution of Civil Engineers (UK), a Fellow of the Australian Institute of Engineers and a graduate member of the Australian Institute of Company Directors.

Mr Clive Appleton
B Ec, MBA, FAICD

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

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

Mr Alan Dundas
BE (HONS), GAICD

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

Mr Steven Fitzgerald
B Ec

Mr Fitzgerald is Head of Asset Management at HRL Morrison & Co and was appointed as a Non-Executive Director of the Board in February 2014. He is also a Director of Wellington International Airport Limited and Chairman of Perth Energy Pty Ltd and Retire Australia. Mr Fitzgerald has over 20 years' experience in the airport sector with roles in the Australian Government during airport privatisations and holding executive and non-executive positions in Australian, New Zealand and European airports.

Mr Matt Lorback
BCOMM, MAICD, GRAD DIP APP FIN

Mr Lorback joined the Board as a Non-Executive Director in July 2013. Mr Lorback joined Hastings in March 2007 and has over 12 years of relevant experience. Mr Lorback is the Portfolio Manager of The Infrastructure Fund, an open-ended infrastructure equity fund, and is also the airport sector lead within Hastings, having previously been a Director on the Board of Queensland Airports Limited and North Queensland Airports. Prior to joining Hastings, Mr Lorback was a senior executive in Corporate Finance (Valuations) at KPMG where he specialised in the valuation of infrastructure assets.

Ms Wendy Norris
BAPPSC, GRAD DIP MGT, GAICD

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

Mr Lyndon Rowe
B Ec (HONS), FAICD

Mr Rowe joined the Board as a Non-Executive Director in August 2004. Mr Rowe is the Chairman of Electricity Generation and Retail Corporation (trading as Synergy). He was the former 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 to 2004. In addition, he has been a member of The University of Western Australia Senate from 2000 to 2012 and a Director of Westscheme Pty Ltd.

Mr Steve Rankine
B Ec (Syd), Fin, FCA

Mr Rankine joined the Board as Non-Executive Director in May 2016. Mr Rankine joined Hastings in 2008 and brings more than 25 years of relevant industry experience. Currently he is the global functional lead for Equity Asset Management, chair of the Asset Review Committee, chair of the Debt Investment Committee and is also a member of the Executive Committee. Prior to joining Hastings, he managed Westpac's Debt Capital Markets business.

Mr Rankine holds a Bachelor of Economics from the University of Sydney and is a member of both Finsia and the Institute of Chartered Accountants.

Ms Shirley In't Veld
BCOMM LLB (HONS)

Ms In't Veld joined the Board as a Non-Executive Director in September 2013. Ms In't Veld is currently a director of NBN Co, Northern Star Resources Limited, Duet Company Limited and is Deputy Chairman of the CSIRO. She is also a member of the Takeovers Panel. Ms In't Veld was the Managing Director of Verve Energy, Western Australia's biggest electricity generator, for five years. Prior to this, Ms In't Veld held a number of senior legal, commercial and marketing positions with Alcoa, WMC Resources Ltd, Bond Corporation and Bankwest, including Managing Director of Alcoa of Australia Rolled Products based in Geelong.

Executive Team

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

Mr Brown commenced in the role of Chief Executive Officer of Perth Airport, the operator of Perth Airport, in July 2016.

Mr Brown has been involved in operational and commercial roles in both hub and regional airports for more than 13 years in the UK and Australia.

Prior to joining Perth Airport, Mr Brown 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.

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

Mr Brown holds a Bachelor of Engineering (Hons), Masters of Business Administration, a Masters of Science and is a Chartered Engineer.

Mr Fred Teng
Acting Chief Financial Officer
MBA, B.Sc.

Mr Teng was appointed as Acting Chief Financial Officer in December 2016.

Mr Teng joined Perth Airport in 2007 and has held the position of General Manager Corporate Finance, and Corporate Finance and Commercial Manager. In this role he was responsible for areas including corporate finance, business analysis, capital planning, aeronautical pricing, and providing support to debt financing and project control.

Prior to joining Perth Airport, Mr Teng held a number of senior financial management positions at HBOS Australia and Bankwest.

Mr Teng holds a Bachelor of Science and a Masters of Business Administration (Finance).

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

Ms Blaskett was appointed to the position of Chief Corporate Services Officer in October 2016 and is responsible for the areas of Human Resources, Corporate Affairs, Marketing and Customer Experience, Business Transformation, Corporate Risk and Corporate Compliance.

Ms Blaskett 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.

She has managed the Aviation Security, Airport Operations, Emergency Planning and Risk areas for Perth Airport and holds a Bachelor of Jurisprudence, Bachelor of Laws and Bachelor of Arts (Hons) degrees.

Ms Blaskett is a member of the Western Australian Security Industry Advisory Council.

Mr Tony Brun
Chief Strategy Officer
D, FIPWEA, MIEAust, RPEQ

Mr Brun joined the Perth Airport team as Executive General Manager, Integrated Planning in 2013 before taking on the role of Chief Strategy Officer in October 2016. Mr Brun also holds the external roles of Adjunct Associate Professor (Sustainability) and Chairman of the Curtin University Sustainability Policy (CUSP) Institute and State Divisional Council member (Non-Executive Director) of the RAAF Association (WA Division) Inc Board.

Mr Brun is responsible for the integrated planning framework which guides the long term planning and approvals for all aviation, infrastructure and commercial property developments at Perth Airport. He is also leading the planning and approvals phase of the Third Runway Project and the planning for consolidation of all passenger services to Airport Central.

Mr Brun also leads the Technology Division of Perth Airport and is responsible for the management of IT, data and communication.

Prior to his role at Perth Airport, Mr Brun was the Chief Executive Officer, City of Greater Geraldton.

He holds a Bachelor of Civil Engineering, Masters of Business Administration and is a Fellow of the Australian Institute of Company Directors and the Institute of Public Works Engineering Australia.

Steve Holden
Chief Commercial Officer
MRICS, GAICD

Mr Holden is Chief Commercial Officer at Perth Airport, where he has been employed for the past 12 years.

Mr Holden is responsible for the airport's Property, Retail, Ground Transport and Aviation Business Development teams, which combined, produce total annual revenues in excess of $434 million.

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

He holds a Bachelor of Science in Building Surveying, is a Chartered Surveyor and a member of the Property Council's Industrial Committee.

Mr Chris Pratt
Chief Projects Officer
MIEAust, FAIB

Mr Pratt commenced at Perth Airport in 2015 and was appointed to the role of Chief Projects Officer in October 2016, where he is responsible for the next phase or Perth Airport's redevelopment.

Mr Pratt has more than 30 years of experience in senior management and project development and delivery in the construction sector.

Before joining Perth Airport, Mr Pratt was National Development Director for Hansen Yuncken. Previously, Mr Pratt worked for John Holland in Perth and Lend Lease in Adelaide and Melbourne.

Mr Pratt has a Bachelor Degree in Civil Engineering, is a Member of the Institute of Engineers and is a Fellow and past Board member of the Australian Institute of Building.

Mr Guy Thompson
Chief Operating Officer
MieAust, CPEng

Mr Thompson is the Chief Operating Officer at Perth Airport and is responsible for asset maintenance, security and emergency and customer delivery areas.

Prior to joining Perth Airport, he was Director of Technical and Development Services at the Shire of Roebourne, responsible for the management of town planning, building and environmental health functions, building and engineering maintenance and construction. This included the successful completion of the first phase of the major airfield expansion of Karratha Airport.

Mr Thompson has a Bachelor of Civil Engineering, a Graduate Certificate of Management and is a Member of the Institute of Engineers and the Institute of Public Works Engineering Australia.

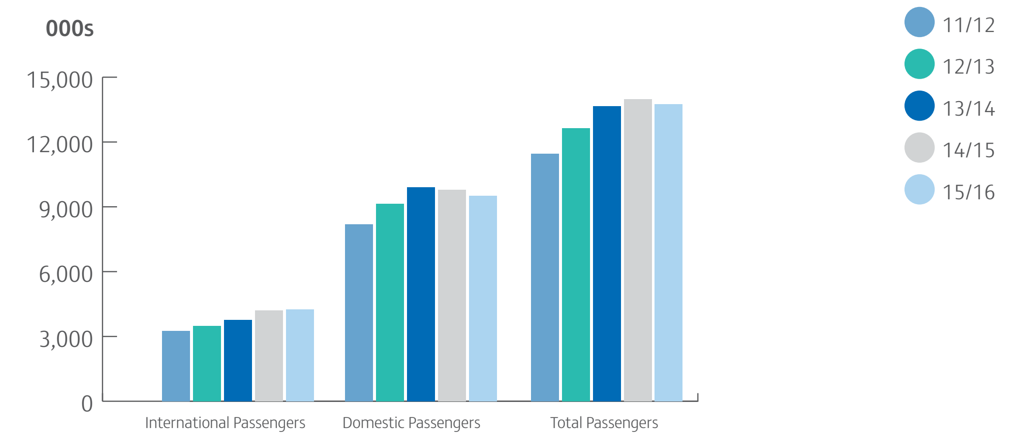
Mr Thompson is the National Chairman and Director of the Australian Airports Association.

Growing our Business

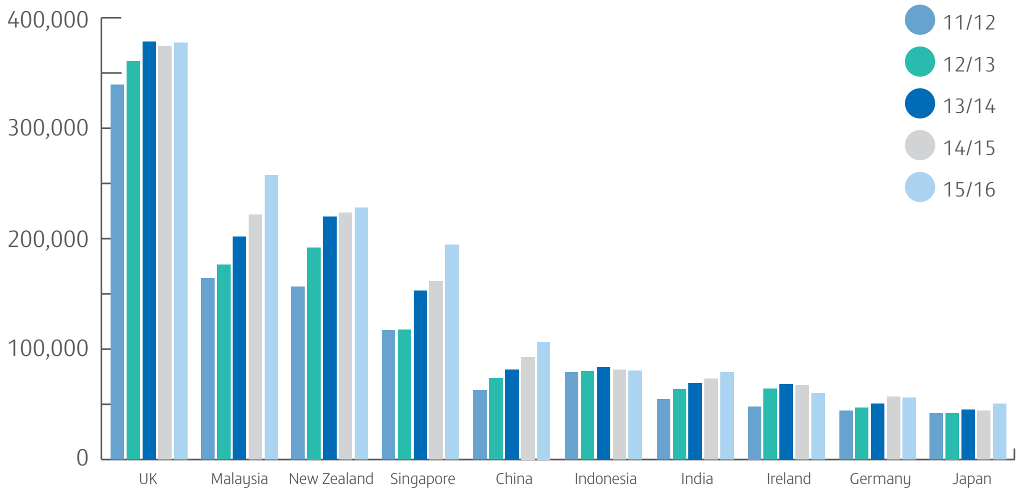
Aviation

Perth Airport is committed to establishing new, and improving ongoing, airline partnerships that encourage growth in passenger numbers.

Five Year Comparison for International and Domestic Passengers
SOURCE: PERTH AIRPORT



Five Year Comparison for Top Ten Foreign Nationality International Passengers for Perth Airport
SOURCE: DEPARTMENT OF IMMIGRATION AND BORDER PROTECTION



Total international and domestic passengers reached 13.8 million.

International passengers grew by 1.4 per cent, reaching 4.25 million.

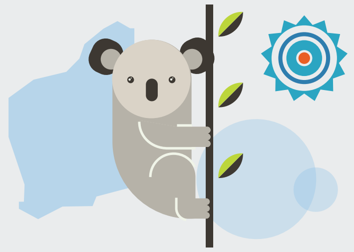
Domestic passenger numbers declined by 2.9 per cent, reflecting the downturn in demand for intrastate services and a reduction in activity in the resource sector.

Domestic passengers make up 69 per cent of all passenger movements, while international passengers make up 31 per cent.

The Asia Pacific region contributed to international growth, with passenger numbers from Malaysia, Singapore and China all growing.

The top 10 visitor nationalities for Perth Airport are the United Kingdom, Malaysia, New Zealand, Singapore, China, Indonesia, India, Ireland, Germany and Japan.

Perth Airport continued to work closely with Tourism WA and the Tourism Council WA to promote Western Australia as a destination of choice and to attract new airlines and increased frequency from existing airlines.



In November 2015, Malindo Air commenced its first flight into the Australian market with a new Perth-Kuala Lumpur daily service, which has now grown to 12 flights per week. This has seen a capacity injection of 2,028 seats per week between Malaysia and Perth.

Etihad Airways' Boeing 787 Dreamliner was introduced on 2 June 2016 on the Abu Dhabi-Perth route.

Perth Airport was announced the winner of *Best Airport Staff Service – Australia/Pacific* at the 2016 Skytrax World Airport Awards in March.

Infrastructure

T1 Domestic Terminal

On 22 November 2015, the $220 million T1 Domestic Terminal, home to Virgin Australia's domestic operations, opened and is now widely considered to be Australia's best airport terminal. Features include:

- Passengers are able to transfer seamlessly between regional, interstate and international services in one convenient location.
- A new check-in service enables Virgin Australia to tailor the experience to the needs of different customers, combining cutting-edge technology with a personalised customer service.
- 28 domestic check-in kiosks and 14 hybrid self-service bag drop desks incorporating a new fast-track check-in system.
- 12 aerobridge-serviced departure gates including three A330 capable aircraft gates.
- A central retail and dining area offering passengers an extensive range of dining and shopping options.
- Innovative sustainable design features to reduce energy consumption, particularly the use of natural light and a façade providing shade during the summer months.

T1 International Terminal

The completion of the $157 million T1 International Departures expansion has transformed the international travel experience and includes:

- The capacity to accommodate passengers departing on two A380 aircraft at the same time.
- A new departures lounge with 538 new seats that enable passengers to charge their electrical appliances prior to their flight, and 184 new lounge chairs.
- 16 extra check-in counters.
- An expanded outbound Immigration area with more counters and a designated area for future technology such as SmartGates.
- A security screening area more than twice the size of the previous space.
- The remodelling and refurbishing of the first level to create a central retail and dining area prior to security screening.
- A new 'six-in-one' food and beverage concept on level two called 'Haymarket' comprising a bar, café, juice bar, bakery, deli and pizzeria.
- A new lounge for Emirates.
- Exciting new children's play area which incorporates airport-themed play equipment, interactive games consoles and a light wall.

Aerodrome Upgrade

Works commenced to install Category III (CAT III) lighting infrastructure to achieve enhanced performance and capability during Low Visibility Operations (LVO).

The works include:

- Installing runway centreline and touchdown zone lights on Runway 03/21.
- Upgrading the taxiway light system.
- Upgrading the Movement Area Guidance (MAG) signs.
- Installing stop-bars at all runway holding points.
- Upgrading Runway 03/21 approach lights.
- Upgrading the lighting control room and airfield electrical infrastructure.

The works are scheduled to be completed by 2018 with an overall cost of $36 million. The CAT III upgrade will enable aircraft to land and take-off at lower visibility, improving Perth Airport's operational effectiveness and efficiency. The upgrade will enhance performance, reduce delays and diversions and provide greater certainty for airlines, the travelling public, business and industry, particularly the resource sector.

Retail, Food & Beverage

With the opening of Terminal 1 Domestic and the redevelopment of Terminal 1 International now complete, an impressive range of new quality retail, food and beverage outlets have opened and expanded within the past 12 months with a focus on providing the best local produce and incorporating the latest trends to appeal to all customers. Key upgrades include:

- World-class coffee roasters Toby's Estate in T1 Domestic.
- Local food offerings from renowned Western Australian chef, Chris Taylor, showcasing Western Australian fresh and seasonal food and wine at Long Neck Public House.
- The first Guzman Y Gomez at any Australian airport with the option to place an order online so it will be ready when you arrive at the airport.
- The new Haymarket concept store, located in the airside T1 International Departures area, which is home to a new 'six-in-one' food and beverage outlet that includes a bar, café, bakery, delicatessen, juice bar and pizzeria.
- The first chemist at the airport, with Amcal providing last minute essentials for customers in the T1 Domestic Terminal.

Property

With an extensive portfolio of existing industrial premises exceeding 120,000 square metres, and a significant vacant land holding, Perth Airport is progressively developing land that is not required for current or future aviation purposes. The airport has become the destination of choice for a number of large industrial business operators, including:

- A new state-of-the-art 3,100 square metres Siemens Large Drive Service Centre was opened in September 2015. Perth Airport was selected by Siemens to design, construct and lease new industrial premises to accommodate their large drive service centre.
- The new 5,250 square metres office and warehouse facility for German multinational, Fuchs Lubricants, opened in May 2016.
- The new 3,000 square metres office and warehouse facility for FedEx opened in June 2016. The new site's close proximity to the Perth cargo terminal, along with better highway entry points, improves FedEx's ability to retrieve and distribute freight.
- In May 2016, Perth Airport announced an exciting joint venture with Vicinity Centres to develop and own a Direct Factory Outlet (DFO) on the airport estate. The DFO will be located on a nine hectare site in the Airport West Retail Park on Dunreath Drive, offering around 24,000 square metres of lettable space. The DFO will contain more than 110 tenancies, comprised of specialty outlets, predominantly fashion, together with a creative mix of food and beverage offerings.

An impressive range of new quality retail, food and beverage outlets have opened and expanded within the past 12 months.

Understanding our Customers

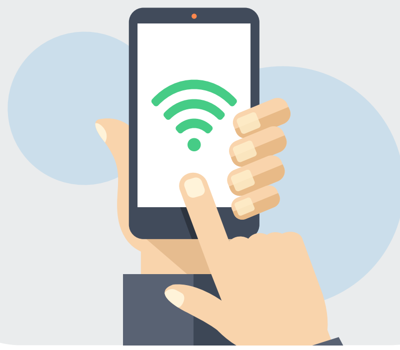
Following significant investment in enhancing our infrastructure and a renewed focus on the customer experience, FY16 saw our highest ever Airport Service Quality (ASQ) results in Quarter 1 with a result of 4.1 out of 5.

Further testament to our improvement in customer experience came in March 2016 with the award for 'Best Airport Staff Service Asia/Pacific' at the 2016 Skytrax World Airport Awards.

Key achievements in FY16 included:

- Partnering with Tourism WA to enhance our international aerobridges to depict iconic Western Australian scenery and provide a suitable welcome to Perth.
- Launching a new best practice website and mobile app and resourcing social media to actively engage with our customers and the community.
- Offering world class internet and free Wi-Fi services across all terminals.
- The introduction of a new cloud-based check-in system which allows off-site check-in and provides contingency for business continuity in the case of any operational outages.
- Enhancing terminal safety and security with leading anti-passback technology in all terminals.
- Doubling the size of our highly regarded Gold Coat volunteer program.
- Working with Australian Border Force to deliver inbound and outbound SmartGates at T1 International.
- Establishing the Access & Inclusion Advisory Group comprising representatives from the disability sector who partner with us to improve the airport experience for all customers.
- Working with our airline partners to welcome the A380 and increasing the number of services and range of destinations for our customers.

World class internet and free Wi-Fi services offered across all terminals.



Our People

The last year was one of change, with Perth Airport's direct and contractor workforce decreasing due to the completion of a number of our large redevelopment projects.

PERTH AIRPORT EMPLOYED 341 STAFF

The workforce was comprised of:
67% males, 33% females.
33% are aged less than 34 years, 51% 35 to 54 years and 16% are 55 years or over.

WELLNESS PROGRAM

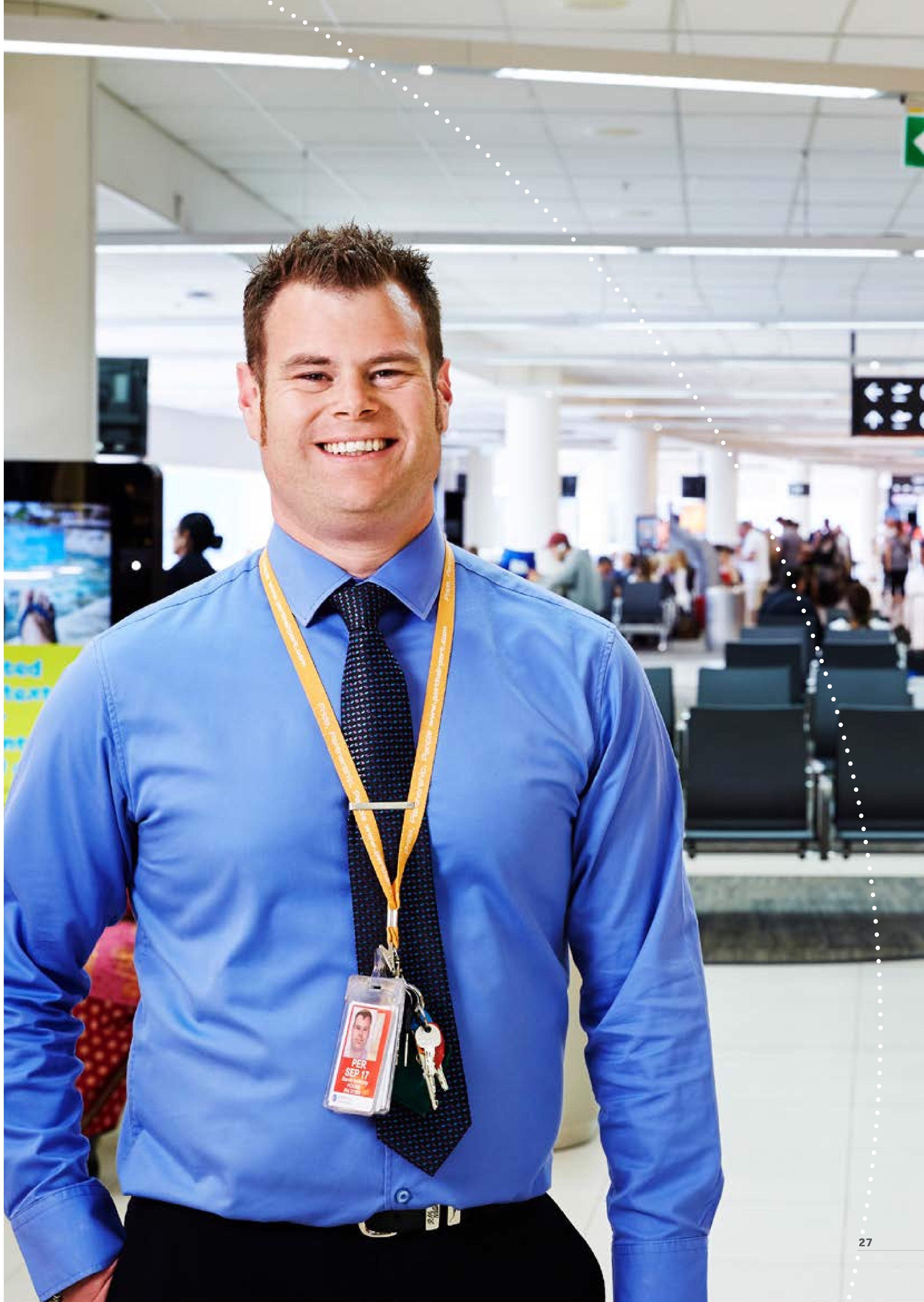
A comprehensive Wellness Program offered a range of activities, with 708 registrations throughout the year.

CULTURE SURVEY

Participation in the Organisation Culture Survey was strong, attracting an 80% response rate.

	FY 2015/16	
	Perth Airport	Contractor
Annual Hours	532,251	1,617,186
Number of Lost Time Injuries	4	3
Lost Time Injury Frequency Rate*	7.52	1.86
Number of High Potential Incidents	3	6
High Potential Incident Frequency Rate*	5.64	3.71

* LTIFR/HPIFR = Lost Time Injury or High Potential Incident Frequency Rate per 1,000,000 hours worked



Our Community

Community Partnerships

Through our Corporate Social Responsibility program, Perth Airport contributes nearly $1 million annually to more than 70 schools, not-for-profit organisations and charities, with the aim of empowering our community through economic opportunity and ongoing support.

We take our role as a corporate citizen seriously and believe our relationship with the Western Australian community is an essential part of our company values. We are committed to building strong and long lasting relationships, working with local communities to build active working partnerships and contributing to a wide range of community activities, supporting organisations, families and groups.

In FY16, we continued to support community events through our Community Partnership Program, which sets out a framework to provide guidance to applicants seeking funding for initiatives focusing on the priority areas of Youth and Education; Community and Culture; and Environment.

Over the past year, Perth Airport's Community Partnership Program has supported a number of fantastic community projects and initiatives, including:

- Ardross Primary School's Book Week
- Scitech Schools Access Program
- Ronald McDonald House Adopt a Room Program
- Communicare Multicultural Playgroups
- Belmont Indigenous Business and Volunteer of the Year award
- Life Education Trust Health Drug and Alcohol Preventative Education program
- Grant funding for 16 schools for environmental projects
- Asthma Foundation Freeway Bike Hike
- Australian Arab Association Multicultural EID Carnival
- Autism Association of WA. WA's program to enhance safe and successful airport experiences for people with autism
- City of Gosnells Homegrown Festival
- Mission Australia Christmas Lunch in the Park
- Multiple Sclerosis Society of WA Ocean Ride for MS
- Spirit of the Streets choir
- Moordiitj Noongar Community College WASO music classes

Perth Airport also sponsors the following awards programs that recognise the valuable contribution of individuals and organisations in the tourism sector, our local community and, in particular, the achievements of young people:

- Perth Airport Western Australian Tourism Awards
- Belmont Small Business Awards
- Australian Hotels Association, WA Hospitality Supplier Awards
- Perth Airport Achiever Awards (Department for Child Protection & Family Support)

In addition to our Community Partnership Program, Perth Airport also proudly provides ongoing support to four major charities:

- Foodbank WA
- Telethon
- Youth Focus
- Perth Children's Hospital Foundation

Community Engagement

Throughout the year, Perth Airport undertakes a range of initiatives to achieve effective community engagement on airport matters.

During the year, we actively participated in Perth Airport's Municipalities Group (PAMG) which is comprised of representatives from 13 Local Government Authorities. The PAMG meets on a quarterly basis with stakeholders including Perth Airport, Jandakot Airport, the Department of Transport, Airservices Australia and the Commonwealth Department of Infrastructure and Regional Development to discuss matters that either directly or indirectly impact on the community such as aircraft noise, flight paths, off-airport development and on-airport development.

In FY16, the Perth Airport Community Forum (PACF) also offered members of the public the opportunity to speak directly with staff from Perth Airport, Airservices Australia and other agencies, as well as learn about redevelopment plans through an "expo" style format.

OUR COMMUNITY

Indigenous Engagement

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

In 2009, Perth Airport, the traditional owners and other Aboriginal Elders entered into a historic partnership agreement, to engage in good faith, for the ongoing development of Perth Airport and Aboriginal cultural heritage and reconciliation. The agreement provides the foundation for the parties to discuss airport planning issues, while also providing direct financial support through community sponsorships and tertiary scholarships.

Key achievements included:

- Regular meetings with the Aboriginal Partnership Group (APG) to discuss issues related to airport development, conservation management and ongoing support for cultural awareness activities, including the Public Art Program.
- Successful celebration of NAIDOC Week with a range of activities including:
  - A public stakeholder event on the estate including a Welcome to Country by a traditional owner from the APG.
  - Presentation of two Perth Airport Aboriginal Scholarships. In 2010, in partnership with Edith Cowan University, Perth Airport established a tertiary Aboriginal Scholarship program awarding $5,000 per recipient for the duration of study.
  - A cultural tour of Munday Swamp with Perth Airport team members.
  - A number of cultural performances and artworks proudly displayed throughout Perth Airport's terminals.
- Sponsorship of two Aboriginal Art categories in the City of Belmont Art Awards.
- Sponsorship of the Indigenous Small Business Category in the Belmont Business Awards.
- Supporting Role Models Australia's WA Girls Academy which supports young Indigenous girls and their families in Western Australia.
- Supported the Department of Aboriginal Affairs during Reconciliation Week.
- Supported the Aboriginal Health Council of WA through its Christmas in Whadjuk City – a free Christmas event for Indigenous culture and health promotion.
- Engagement of a representative from the WA Department of Environment and Conservation to provide Aboriginal cultural awareness activities for participants in the annual School Planting Program.

Supporting Tourism

As the gateway to Western Australia, we continued our close association and support of the tourism industry in FY16.

We worked closely with Tourism WA and the Tourism Council WA to promote Western Australia as a destination of choice and to attract new airlines and increased frequency from existing airlines.

We also proudly sponsored the 2016 Perth Airport Western Australian Tourism Awards, which are delivered by the Tourism Council WA.

Financial Statements

Contents

Directors' Report

The directors present their report together with the annual report of Perth Airport Pty Ltd ("PAPL" or "the Company") for the financial year ended 30 June 2016 and the auditor's report thereon. The 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 Colin Beckett (Chairman)

Mr Alan Dundas (Director)

Mr Lyndon Rowe (Director)

Mr Richard Hoskins (Director) – resigned 13 May 2016

Ms Wendy Norris (Director)

Ms Shirley In't Veld (Director)

Mr Steven Fitzgerald (Director)

Mr Clive Appleton (Director)

Mr Matthew Lorback (Director) – appointed 6 July 2015 (formerly alternate director to Richard Hoskins – resigned 13 May 2016)

Mr Steven Rankine (Director) – appointed 25 May 2016

Mr Tom Snow (alternate director to Shirley In't Veld) – resigned 24 February 2016

Mr Phillip Walker (alternate director to Steven Fitzgerald and Wendy Norris)

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

Mr Colin Atkin (alternate director to Matthew Lorback) appointed 6 July 2015 (formerly a Director, resigned 6 July 2015)

Mr James Walsh (alternate director to Lyndon Rowe)

Mr David Perkis (alternate director to Shirley In't Veld) – appointed 30 March 2016 and resigned 22 July 2016

Company Secretary

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

Corporate Structure

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

Review of Operations

The operating profit after tax for the financial year is $102,436,000 (2015: $68,929,000).

Nature of Operations and Principal Activities

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

Dividends

Dividends declared and paid during the year ending 30 June 2016 were:

	DOLLARS PER SHARE	TOTAL AMOUNT	FRANKED / UNFRANKED	DATE OF PAYMENT
		$'000		
Interim ordinary dividend	0.29	42,022	Franked	30 December 2015
Final ordinary dividend	0.35	51,831	Franked	29 June 2016
		93,853		

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

Share Options

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

Aboriginal Heritage Regulation

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

- Aboriginal Heritage Act 1972 (State)

Environmental Regulation

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

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

1. Airport Environment Strategy

The Perth Airport Environment Strategy 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 2015 in fulfilment of the requirements under the Airports (Environment Protection) Regulations 1997. This report included a summary of environmental incidents which had potential to impact the quality of air, water, land and vegetation in the airport precinct and an account of the actions undertaken in the implementation of PAPL's Environmental Management Framework.

National Pollutant Inventory (NPI) reporting was also undertaken under the requirements of the National Environmental Protection Measures (Implementation) Act 1998. A report was submitted to the Department of Environment Regulation in September 2015.

3. Land Development Approvals

All development approvals initiated in the year ending 30 June 2016 complied with the Airports Act 1996, the Airports (Environment Protection) Regulations 1997, the Environment Protection and Biodiversity Conservation Act 1999 and the Aboriginal Heritage Act 1972.

4. Environmental Protection

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

5. Dangerous Goods

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

6. Incidents

PAPL recorded a number of environmental incidents occurring at Perth Airport during the year ending 30 June 2016, 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

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

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

Occupational, Safety and Health Management

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

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

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

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

Risk management

PAPL takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the 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 6 and forms part of the Directors' Report for the year ended 30 June 2016.

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.

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 38 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 28 September 2016.

C Beckett

Colin Beckett
CHAIRMAN

Perth, Western Australia
28 September 2016

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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Perth Airport Pty Ltd

In relation to our audit of the financial report of Perth Airport Pty Ltd for the year ended 30 June 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

R Kirkby
PARTNER

28 September 2016

Corporate Governance Statement

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

The Board of Directors

The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term, and seek to balance these sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company 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, Risk Context Statement 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.
- Ensuring suitability of policies and processes in important areas, including occupational safety and health, environment and legal compliance.
- Enhancing and protecting the reputation of the Company.

Directors may delegate any of their powers, but not their responsibility to others. Delegations promote the effective functioning of the Board and Management, with a clear focus on performance. The Charter contains the following instruments that clarify the operation of delegations:

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

Matters which are specifically reserved for the Board include:

- Appointment and remuneration of the Chair.
- Appointment and remuneration of Directors.
- Establishment of Board Committees and determining their membership and delegated authorities.
- Approval of corporate strategic plans, business plans, budgets and performance objectives of the Company.
- Approval of the Annual Financial Report, shareholder distributions and dividends.
- Approval of major capital expenditure, leases, acquisitions, divestitures above authority levels delegated to the CEO.
- Approval of the acquisition or disposal of any Company or business.
- Approval of aeronautical and public car park charges.
- Approval of 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.

The effectiveness of each Committee is reviewed annually by the Board of Directors. This review considers whether each Committee has met its Terms of Reference. The basis of the review is a report prepared jointly by the Committee Chairman and the CEO.

In June each year, each Committee adopts an Activity Plan for the coming financial year having regard to its Terms of Reference. Committees meet in accordance with their Activity Plans and otherwise on a when required basis determined by the Committee Chairman, in consultation with the CEO.

1. Audit Committee

The Board of Directors resolved to establish an Audit Committee (AC) to provide oversight of the Company's approach to internal control and external financial reporting.

The AC comprises three Directors nominated by the Board, all of whom are to be financially literate (that is, be able to read and understand financial statements) and including at least two with demonstrated financial competence (a qualified accountant or other finance professional with experience of financial or accounting matters). Two members of the AC (at least one with demonstrated financial competence) must be present to constitute a quorum.

The following directors are members of the AC:

- Mr Matthew Lorback (Chairman);
- Ms Wendy Norris;
- Mr Richard Hoskins – resigned 13 May 2016;
- Mr Steven Rankine – appointed 25 May 2016.

Matters that the AC specifically addresses are as follows:

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

2. Safety, Security and Sustainability Committee

The Board of Directors resolved to establish a Safety, Security and Sustainability Committee (SSS) to provide oversight of the Company's approach to safety and operational risk management and compliance. The SSS comprises three Directors nominated by the Board, all with a sound understanding of and functional knowledge in risk management principles (including risk standards, industry practice and the Company's Risk Management Framework). Two members of the SSS must be present to constitute a quorum.

The following directors are members of the SSS:

- Mr Alan Dundas (Chairman);
- Ms Shirley In't Veld;
- Mr Steven Fitzgerald.

Matters that the SSS specifically addresses are as follows:

- Adequacy of risk management systems as they apply to operational risk including public and employee safety, security and environment.
- Adequacy of business continuity planning, including information technology security and reliability.
- Material incidents that have occurred and their implications for the Company.
- Compliance, legal, industry and other developments that may materially impact the Company's operational risk profile, particularly those that may impact on the aerodrome operating license held by the Company.
- Any other operational risk management matters referred to it by the Board.

3. Remuneration and Appointments Committee

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

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

- Mr Colin Beckett (Chairman);
- Mr Richard Hoskins – resigned 13 May 2016;
- Mr Lyndon Rowe;
- Ms Wendy Norris;
- Mr Matthew Lorback;
- Mr Colin Atkin – resigned 6 July 2015.

Matters that the Remuneration and Appointments Committee specifically addresses:

- Executive Team organisation structure and roles.
- Role clarity, key result areas and targets for the CEO and his Executive Team.
- Recruitment to Executive Team positions.
- Suitability of the Company's terms and conditions of employment and form of employment contracting.
- Approval of the parameters for collective agreements (conditions/scope).
- Suitability and application of the Company's management remuneration policies, including Fixed Annual Remuneration, Annual Non-recurrent Performance Pay and Long-term Incentive Plan.
- Succession planning for all managerial and other key roles.
- Maintenance of Board Skills Matrix that identifies the current skills, knowledge, experience and capabilities of the Board, and any gaps in skills or competencies that can be addressed in future director appointments.
- Suitability of the Company's processes for ensuring organisation competency and effectiveness, including developing effective leadership/management, and for developing corporate culture including diversity and equal opportunity.

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

The Board approved Director's Remuneration Scheme provides for payment of directors fees to directors appointed by shareholders in proportion to the respective shareholding of each shareholder in the parent entity Perth Airport Development Group Pty Ltd. Directors that are independent are remunerated directly by the Company. During the year $1,201,000 (2015: $1,180,000) of Director's Fees was paid to Directors of PADG.

4. Pricing and Financing Committee

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

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

- Mr Colin Beckett (Chairman);
- Mr Richard Hoskins – resigned 13 May 2016;
- Mr Colin Atkin – resigned 6 July 2015;
- Mr Clive Appleton;
- Mr Steven Fitzgerald;
- Mr Steven Rankine – appointed 25 May 2016.

Matters that the PFC specifically addresses:

- Aeronautical price negotiations.
- Pricing of ground transport products, particularly car parking.
- Reviewing and recommending to the Board retail concessions/agreements that, under delegations of authority, are in excess of CEO delegation.
- Reviewing and recommending to the Board property lease agreements (including premium leases) that, under delegations of authority, are in excess of CEO delegation.
- Reviewing airline incentive proposals that, under delegations of authority, are in excess of CEO delegation.
- Setting and recommending an Investment Process Policy to the Board.
- Setting and reviewing final investment decision guidelines/standards for typical investments and Major Projects.
- Setting and reviewing investment hurdle rates/return expectations for typical investments and Major Projects.
- Shareholder distribution targets.
- Approach to project financial evaluation.
- Capital structure.
- Financing strategy.

5. Major Projects Oversight

The Board of Directors resolved to establish a Major Projects Oversight Committee (MPOC) to provide additional oversight of the planning and execution of key major projects to help ensure project performance meets strategic goals while conforming to the Company's overall tolerance for risk.

The MPOC comprises four Directors nominated by the Board. Three members of the Committee must be present to constitute a quorum.

The following directors are members of the Major Projects Oversight Committee:

- Mr Colin Beckett (Chairman);
- Mr Richard Hoskins – resigned 13 May 2016;
- Mr Clive Appleton;
- Mr Alan Dundas;
- Mr Steven Rankine – appointed 25 May 2016.

Matters that the MPOC specifically addresses:

- Project governance, management and reporting regimes.
- Monitoring project planning and design.
- Oversight of major project risk identification and project management processes.
- Endorsement of the project procurement/contracting strategy.
- Assist the Board in making decisions relating to major projects.
- Oversee management of material disputes involving a major project, make recommendations to the Board in respect of any strategic issues concerning such disputes, and provide regular dispute status updates to the Board
- Post-project reviews.

Statement of Financial Position

AS AT 30 JUNE 2016	NOTES	2016 $'000	2015 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	**29,110**	17,740
Trade and other receivables	9	**54,392**	45,410
Prepayments	10	**1,399**	1,836
Other financial assets	11	**14,558**	12,722
Income tax receivable	28(vi)	**21,038**	11,632
Total Current Assets		**120,497**	89,340
Non-Current Assets			
Capitalised lease – operational land	12	**117,664**	127,279
Investment property	13	**1,177,770**	1,149,720
Infrastructure, plant and equipment	14	**1,404,342**	1,237,123
Goodwill	15	**443,598**	443,598
Other intangible assets	15	**6,090**	6,274
Derivative financial instruments	20	**138,900**	56,502
Total Non-Current Assets		**3,288,364**	3,020,496
Total Assets		**3,408,861**	3,109,836
LIABILITIES			
Current Liabilities			
Trade and other payables	16	**78,360**	55,920
Employee benefit liabilities	17	**5,876**	5,781
Interest-bearing loans & borrowings	18	**239,898**	-
Deferred revenue	19	**944**	984
Total Current Liabilities		**325,078**	62,685
Non-Current Liabilities			
Employee benefit liabilities	17	**530**	426
Interest-bearing loans & borrowings	18	**1,774,590**	1,822,530
Deferred revenue	19	**17,943**	18,887
Derivative financial instruments	20	**36,543**	8,382
Deferred tax liabilities	21	**393,025**	372,385
Total Non-Current Liabilities		**2,222,631**	2,222,610
Total Liabilities		**2,547,709**	2,285,295
Net Assets		**861,152**	824,541
EQUITY			
Contributed equity	22	**161,865**	161,865
Reserves	22	**231,797**	203,769
Retained earnings		**467,490**	458,907
Total Equity		**861,152**	824,541

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

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016	NOTES	2016 $'000	2015 $'000
Profit or loss			
Revenue from continuing operations	2(a)	**489,761**	449,196
Change in fair value of investment property	2(c)	**(33,231)**	(19,866)
Operating expenses	3(a)	**(175,576)**	(160,970)
Earnings before interest, depreciation and amortisation		**280,954**	268,360
Finance revenue	2(b)	**85,746**	103,483
Finance expenses	3(b)	**(158,396)**	(230,150)
Depreciation	3(c)	**(60,706)**	(41,216)
Amortisation	3(d)	**(3,464)**	(3,120)
Profit from continuing operations before income tax		**144,134**	97,357
Income tax expense	5	**(41,698)**	(28,428)
Profit from continuing operations after income tax		**102,436**	68,929
Other comprehensive income			
Other comprehensive income reclassified to profit or loss in the current year:			
Net movement of discontinued cash flow hedges	4	**-**	1,643
Income tax on items that may be reclassified to profit or loss	5	**-**	(493)
Net other comprehensive income reclassified to profit or loss in the current year		**-**	1,150
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Revaluation of capitalised lease – operational land	22(a)	**40,040**	280,084
Income tax on items that may not be reclassified to profit or loss	5	**(12,012)**	(84,025)
Net other comprehensive income not to be reclassified to profit or loss in subsequent years		**28,028**	196,059
Other comprehensive income for the year, net of tax		**28,028**	197,209
Total comprehensive income for the year, net of tax		**130,464**	266,138

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016	NOTES	CONTRIBUTED EQUITY $'000	ASSET REVALUATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 30 June 2014		**161,865**	**7,710**	**(1,150)**	**464,781**	**633,206**
Profit for the year after income tax		-	-	-	68,929	68,929
Other comprehensive income		-	196,059	1,150	-	197,209
Total comprehensive income for the year		**-**	**196,059**	**1,150**	**68,929**	**266,138**
Transactions with owners in their capacity as owners:						
Dividends paid	7	-	-	-	(74,803)	(74,803)
Balance at 30 June 2015		**161,865**	**203,769**	**-**	**458,907**	**824,541**
Profit for the year after income tax		-	-	-	102,436	102,436
Other comprehensive income		-	28,028	-	-	28,028
Total comprehensive income for the year		**-**	**28,028**	**-**	**102,436**	**130,464**
Transactions with owners in their capacity as owners:						
Dividends paid	7	-	-	-	(93,853)	(93,853)
Balance at 30 June 2016		**161,865**	**231,797**	**-**	**467,490**	**861,152**

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016	NOTES	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash receipts from customers		**472,360**	458,728
Cash paid to suppliers and employees		**(169,099)**	(159,570)
Interest received		**2,514**	1,109
Income tax paid		**(42,477)**	(31,158)
Net cash flows from operating activities	26	**263,298**	269,109
Cash flows from investing activities			
Purchase of intangibles	15	**(1,706)**	(2,184)
Proceeds from sale of infrastructure, plant and equipment		**115**	90
Purchase of investment property, infrastructure, plant and equipment		**(204,974)**	(264,124)
Net cash flows used in investing activities		**(206,565)**	(266,218)
Cash flows from financing activities			
Proceeds from borrowings – syndicated facility agreement A	18(d)	**65,000**	-
Proceeds from borrowings – syndicated facility agreement B		**-**	315,000
Prepayment of borrowings – syndicated facility agreement A		**(125,000)**	-
Prepayment of borrowings – syndicated facility agreement B		**(396,000)**	-
Net proceeds of borrowings – USPP Series E	20(ii)(b)	**125,707**	-
Net proceeds of borrowings – USPP Series F	20(ii)(b)	**188,561**	-
Net proceeds of borrowings – USPP Series G	20(ii)(b)	**251,414**	-
Proceeds of borrowings – USPP Series H	18(d)	**100,000**	-
Repayment from borrowings - PAPT related party loan		**18**	19
Repayment of borrowings – subordinated debt		**(66,987)**	(64,734)
Dividends paid	7	**(93,853)**	(74,803)
Interest paid – interest rate swap termination costs	3(b)	**-**	(82,466)
Interest paid – senior debt		**(88,786)**	(83,956)
Interest paid – subordinated debt		**(5,437)**	(14,290)
Net cash flows used in financing activities		**(45,363)**	(5,230)
Net increase/ (decrease) in cash and cash equivalents		**11,370**	(2,339)
Cash and cash equivalents at beginning of financial year		**17,740**	20,079
Cash and cash equivalents at the end of financial year	8	**29,110**	17,740

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

Notes to the Financial Statements 30 June 2016

Note 1. Significant Accounting Policies

(A) REPORTING ENTITY

Perth Airport Pty Ltd ("PAPL" or "the Company") is a proprietary company limited by shares which is incorporated and domiciled in Australia.

(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 28 September 2016.

(iii) Basis of measurement

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

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

(iv) Functional and presentation currency

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

PAPL 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.

(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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(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.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

(i) Cash flow hedge

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

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

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

(ii) 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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Current versus non-current classification

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

- When the 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.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

(E) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(i) Financial assets

(i.i) Initial recognition and measurement

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

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

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

(i.ii) Subsequent measurement

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

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

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(i.iv) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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.v) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are measured at their cost less impairment losses. The collectability of debts is assessed at reporting date and a specific provision is made for any doubtful debts.

(i.vi) Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired.
- The 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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i.vii) 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.

For trade and other receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the variable rate of interest.

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

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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii.ii) Subsequent measurement

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

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

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

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

Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of AASB 139 are satisfied. The Company has not designated upon initial recognition any financial liability as at fair value through profit or loss.

(ii.iv) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the 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.v) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the profit 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.

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. Borrowing costs consists of interest expense, and associated hedging costs, that the Company incurs in connection with the drawdown of funds from the syndicated facilities.

(ii.vi) Other

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii.vii) Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Company recognises and measures financial guarantee contracts in accordance with AASB 139 “Financial Instruments: Recognition and Measurement”.

The Company initially recognises and measures a financial guarantee contract at its fair value. At each subsequent reporting date, the Company measures the financial guarantee contract at the higher of the initial fair value recognised, less when appropriate, the cumulative amortisation recognised in accordance with AASB 118 “Revenue” and the best estimate of the expenditure required to meet the obligations under the contract at the reporting date.

(ii.viii) Derecognition

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

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

(ii.ix) Offsetting of financial instruments

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

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

(F) INVESTMENT PROPERTY

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

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently measured at fair value at each balance date with any gains or losses arising from a change in fair value recognised in the profit 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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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(q).

(i) Fair value

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

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

In applying its accounting policies, the 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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 PAPL and the relevant parties to deliver the tangible assets resulting from a project. The defects liability period is a directly attributable cost in bringing the asset into existence and to the condition of which is required for the assets intended use.

(iii) Depreciation and amortisation

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

Depreciation and amortisation rates used are as follows:

	2016	2015
Plant and equipment	**5.00 – 33.00%**	5.00 – 33.00%
Buildings	**1.01 – 15.00%**	1.01 – 15.00%
Fixed plant and equipment	**5.00 – 15.00%**	5.00 – 15.00%
Runways, taxiways and aprons	**1.01 – 6.67%**	1.01 – 6.67%
Other infrastructure assets	**2.50 – 20.00%**	2.50 – 20.00%

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

(iv) Leasehold improvements

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

(v) Major repairs and maintenance

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

(vi) Non-current assets under construction

The cost of non-current assets under construction by the 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.

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.

(H) INVENTORIES

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

(I) ASSETS HELD FOR SALE

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

(J) INTANGIBLES

Intangible assets that are acquired separately by the 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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 15. 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.

(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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(K) 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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 30 June) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU to which the goodwill relates. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

Intangible assets

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

(L) PROVISIONS

Provisions are recognised when the 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.

(i) Onerous contracts

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

(M) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the 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 numbe rs 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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

(N) DEFERRED REVENUE

Rentals received in advance for investment properties leased to tenants under long term operating leases are credited to a deferred revenue account and released to the profit 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.

(O) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss that do not qualify for hedge accounting, and impairment losses recognised on financial assets. All borrowing costs, expect capitalised borrowing costs as outlined in note 1(e)(ii.v) are recognised in profit or loss using the effective interest method.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) 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.

(Q) LEASE PAYMENTS

(i) Capitalised lease – operational land

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

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

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.

(R) INCOME TAXES

(i) PAPL

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

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 100% owned Australian resident subsidiary Perth Airport Pty Ltd. The implementation date of the tax consolidated system for the tax consolidated group was 1 July 2003.

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

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

PADG recognises deferred tax assets arising from unused tax losses and unused tax credits to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries are recognised by the head entity only.

The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal for the current tax liability assumed by the head entity or any tax-loss deferred tax asset assumed by the head entity.

(iii) Goods and services tax

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

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

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

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

(S) LEASES

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

(i) Finance leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Operating leases

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

(T) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Distributions on ordinary shares are recognised as a liability in the period in which they are declared.

Ordinary shares that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

(U) 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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Infrastructure, plant and equipment

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

(ii) Intangible assets

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

(iii) Investment property

The 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 2016. 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 13.

(iv) Trade and other receivables

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

(v) Fair value of financial instruments

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

(vi) Non-derivative financial liabilities

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

(vii) Financial guarantees

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) RIGHTS AND OBLIGATIONS IN ACCORDANCE WITH THE AIRPORT LEASE

In 1997 Perth Airport Pty Ltd ("PAPL"), formerly known as Westralia Airports Corporation Pty Ltd, successfully acquired a 50-year lease and 49-year option, for a lump sum consideration of $639m, with no further consideration payable for the exercise of the option over Perth Airport.

The key legislative and regulatory requirements that relate to the operations of the airport are the Airport Lease, Airports Act and Treasurer's Direction.

(i) Airport Lease

Major features of the Airport Lease:

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

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 Environmental Strategy must be prepared and approved by the Minister, and
- Audited financial accounts are to be provided to the Australian Competition and Consumer Commission.

(iii) Treasurer's Direction

Pursuant to section 29 of the Trade Practices Act:

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

(ii) Aeronautical services are limited to:

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

(iii) The facilities and activities referred to above do not include the provision of service which, on the date the airport lease was granted, was the subject of a contract, lease, license, or authority given under the common seal of the Federal Airports Corporation (e.g. Qantas terminal lease – refer to note 25(ii)).

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(i) Changes in accounting policy and disclosures

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015 as outlined in the beneath table. The adoption of the new and amended Australian Accounting Standards and AASB Interpretations did not have any impact on the financial position or performance of the Company. Several other amendments apply for the first time in from 1 July 2015. However these do not impact the annual financial statements.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR COMPANY
AASB 2013-9	**Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments** The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	1 January 2015	1 July 2015
AASB 2015-3	**Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality** The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 January 2015	1 July 2015
2016-2	**Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107** This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2015 *

* 2016-2 has been early adopted to provide enhanced disclosure of financing liabilities. Refer to note 18(d).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ending 30 June 2016, 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	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. **Financial assets** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.	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. The new hedge accounting requirements within the standard will provide the Company with greater flexibility to hedge synthetic exposures if the Company elects to hedge account in the future. The new expected-loss impairment model is likely to have an immaterial impact due to historically low defaults.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR COMPANY	IMPACT ON COMPANY FINANCIAL REPORT
		c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. **Financial liabilities** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. **Impairment** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009 -11 and superseded by AASB 2010 -7, AASB 2010 -10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after **1 January 2015**.			

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR COMPANY	IMPACT ON COMPANY FINANCIAL REPORT
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: • the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and • the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11.	1 January 2016	1 July 2016	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 *Property Plant and Equipment and AASB 138 Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR COMPANY	IMPACT ON COMPANY FINANCIAL REPORT
AASB 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations (IFRIC *13 Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer. (b) Step 2: Identify the performance obligations in the contract. (c) Step 3: Determine the transaction price. (d) Step 4: Allocate the transaction price to the performance obligations in the contract. (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. The AASB issued the Australian equivalent of IFRS 15, being AASB 15, in December 2014. Currently, these standards are effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018	1 July 2018	The Company is currently evaluating the impact of the new standard. There is not expected to be any 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.
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2018	1 July 2018	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR COMPANY	IMPACT ON COMPANY FINANCIAL REPORT
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 July 2016	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 *Consolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 July 2016	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR COMPANY	IMPACT ON COMPANY FINANCIAL REPORT
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvement to Australian Accounting Standards 2012 – 2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:* • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 *Financial Instruments: Disclosures:* • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendment s to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 *Interim Financial Reporting* when its inclusion would be required by the requirements of AASB 134. AASB 119 *Employee Benefits:* • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 *Interim Financial Reporting:* • Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	1 January 2016	1 July 2016	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR COMPANY	IMPACT ON COMPANY FINANCIAL REPORT
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	1 July 2016	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017	There is not expected to be any impact on the financial position or performance of the Company from adopting this standard.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR COMPANY	IMPACT ON COMPANY FINANCIAL REPORT
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. **Lessor accounting** • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	1 January 2019	1 July 2019	The Company is currently evaluating the impact of the new standard. 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 for commercial property leases where the Company is sub-lessor.

Note 2. Revenues

	2016 $'000	2015 $'000
(a) Revenue from continuing operations		
Aeronautical charges	**212,684**	189,279
Retail revenue	**59,852**	55,703
Ground transport services	**85,040**	82,504
Investment property rentals	**81,667**	75,583
Net gain on premium leasing	**810**	869
Recharge property services	**46,292**	43,135
Other revenue	**3,373**	2,115
Net gain on disposal of property, plant and equipment	**43**	8
	489,761	449,196

	2016 $'000	2015 $'000
(i) Revenue from external customers		
Australia	**489,761**	449,196
	489,761	449,196

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

	2016 $'000	2015 $'000
(b) Finance revenue		
Interest income	**3,348**	1,920
Fair value gain on cross currency swaps at fair value through profit or loss – held for trading	**82,398**	67,302
Fair value gain on interest rate swaps at fair value through profit or loss – held for trading	**-**	34,261
	85,746	103,483

	NOTES	2016 $'000	2015 $'000
(c) Other (loss) / income			
Fair value (loss) / gain adjustment to investment land	13	**(32,641)**	(37,361)
Fair value (loss) / gain adjustment to investment buildings	13	**(10,841)**	22,315
Fair value gain / (loss) adjustment to ground leases & licenses	13	**10,251**	(4,820)
Fair value (loss) / gain adjustment to investment property		**(33,231)**	(19,866)

Note 3. Expenses

	NOTES	2016 $'000	2015 $'000
(a) Operating expenses			
Employee expenses		**42,862**	38,347
Defined contribution superannuation expense		**4,430**	3,823
Recharged expenses		**70,463**	66,329
Services and utilities		**27,289**	25,488
General administration and office overheads		**21,505**	18,046
Doubtful debts expense	9	**-**	(243)
Bad debts written off / (recovered)		**(61)**	134
Maintenance expenses		**9,088**	9,046
		175,576	160,970

	NOTES	2016 $'000	2015 $'000
(b) Finance Expenses			
Senior debt interest expense		**97,924**	86,206
Subordinated debt interest expense		**5,437**	14,290
Capitalised interest		**(27,220)**	(21,604)
Amortisation of upfront borrowing costs	18(d)	**2,808**	2,493
Total interest expense		**78,949**	81,385
Interest rate swap termination costs		**-**	82,466
Interest rate swap amortisation	22(b)	**-**	1,643
Fair value loss on interest rate swaps at fair value through profit or loss – held for trading		**28,161**	-
Foreign currency loss - Currency swap initial notional exchange		**36,889**	-
Foreign currency loss - USPP debt retranslation to spot rate	18(d)	**13,586**	63,845
Other		**811**	811
Total Finance expenses		**158,396**	230,150

	NOTES	2016 $'000	2015 $'000
(c) Depreciation			
Plant and equipment		**5,431**	2,528
Leased: Buildings		**14,910**	8,219
Fixed plant and equipment		**17,220**	7,650
Runways, taxiways and aprons		**7,539**	8,144
Other infrastructure		**15,606**	14,675
Total Depreciation	14	**60,706**	41,216

	NOTES	2016 $'000	2015 $'000
(d) Amortisation			
Other intangible assets	15	**1,891**	1,754
Capitalised lease – operational land	12	**1,573**	1,366
Total Amortisation		**3,464**	3,120

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Components of other comprehensive income

	NOTES	2016 $'000	2015 $'000
Cash flow hedges:			
Hedges closed out	22(b)	**-**	1,643
Net movement of cash flow hedges		**-**	1,643

Note 5. Income Tax Expense

	NOTES	2016 $'000	2015 $'000
The major components of income tax expense are:			
Deferred income tax			
Deferred income tax in respect of current year		**(9,111)**	(9,962)
Deferred income tax in respect of previous year		**485**	(2,741)
	21	**(8,626)**	(12,703)
Current income tax			
Current income tax charge in respect of current year		**(33,989)**	(19,097)
Current income tax in respect of previous year		**917**	3,372
Income tax benefit / (expense) reported in profit or loss		**(41,698)**	(28,428)

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the applicable income tax rate is as follows:

	NOTES	2016 $'000	2015 $'000
Accounting profit before income tax from continuing operations		**144,134**	97,357
At the statutory income tax rate of 30% (2015: 30%)		**(43,240)**	(29,207)
Deferred income tax in respect of previous year		**485**	(2,741)
Current income tax in respect of previous year		**917**	3,372
Non-deductible items		**140**	148
Income tax expense reported in profit or loss		**(41,698)**	(28,428)
Statement of changes in equity			
Current income tax related to items charged directly to equity in respect of net gain on revaluation of cash flow hedges	22(b)	**-**	(493)
Current income tax related to items charged directly to equity in respect of revaluation of capitalised lease – operational land	22(a)	**(12,012)**	(84,025)
Income tax benefit / (expense) reported in equity	21	**(12,012)**	(84,518)

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

Note 6. Auditor's Remuneration

The auditor of Perth Airport Pty Ltd is Ernst & Young Australia.

	2016 $'000	2015 $'000
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	**148,239**	139,292
• Other services in relation to the entity in the group		
• Other assurance related services	**77,800**	46,720
• Tax compliance services	**56,500**	66,572
	282,539	252,584
Amounts received or due and receivable by related practices of Ernst & Young Australia for:		
• Taxation consulting services	**30,497**	76,793
	313,036	329,377

Note 7. Dividends paid and proposed

Dividends declared and paid during the year ending 30 June 2016:

	DOLLARS PER SHARE	TOTAL AMOUNT $'000	FRANKED / UNFRANKED	DATE OF PAYMENT
Interim ordinary dividend	0.29	42,022	Franked	30 December 2015
Final ordinary dividend	0.35	51,831	Franked	29 June 2016
		93,853		

Dividends declared and paid during the year ending 30 June 2015:

	DOLLARS PER SHARE	TOTAL AMOUNT $'000	FRANKED / UNFRANKED	DATE OF PAYMENT
		$'000		
Interim ordinary dividend	0.39	56,752	Franked	29 December 2014
Final ordinary dividend	0.12	18,051	Franked	29 June 2015
		74,803		

Franked dividends paid during the year ending 30 June 2016, and during the year ending 30 June 2015, were franked at the tax rate of 30%. There have been no dividends proposed or declared after the balance sheet date.

FRANKING CREDIT BALANCE	2016 $'000	2015 $'000
The amount of franking credits available for the subsequent financial year are:		
Franking account credit balance at the end of the financial year at 30%	**1,360**	-
Franking credits / (debits) that will arise from the payment / (refund) of income tax payable as at the end of the financial year	**(21,038)**	(11,632)
The amount of franking credits / (debits) available for future reporting periods	**(19,678)**	(11,632)

Note 8. Cash and Cash Equivalents

	2016 $'000	2015 $'000
Cash at bank and on hand	**29,110**	17,740

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 $373,000 (2015: $233,000) 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 23.

Note 9. Trade and Other Receivables

	NOTES	2016 $'000	2015 $'000
Trade receivables	23(b)(1)(i)	**48,990**	38,967
Allowance for impairment loss	(a)	**(107)**	(107)
		48,883	38,860
Accrued revenue		**2,926**	948
Net GST receivable		**-**	293
Other receivables	(b)	**968**	903
Related party loan – PAPT Holdings Pty Ltd	28(iv)	**-**	18
Cross currency swaps net interest receivable		**1,615**	4,388
		54,392	45,410

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 8, 11 and 16) 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 23.

NOTE 9. 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	2016 $'000	2015 $'000
At 1 July		**107**	350
Provision for impairment recognised / (reversed) during the year	3(a)	**-**	(243)
At 30 June		**107**	107

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	+91 DAYS
	$'000	$'000	$'000	$'000	$'000	$'000
2016	**48,883**	**30,928**	**12,485**	**4,367**	**996**	**107**
2015	38,860	11,029	19,828	5,255	2,641	107

Trade receivables past due but not impaired are $17,848,000 (2015: $27,724,000). 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 10. Prepayments

	2016 $'000	2015 $'000
Refinancing establishment costs	**-**	250
Other prepayments	**1,399**	1,586
	1,399	1,836

NOTES TO THE FINANCIAL STATEMENTS

Note 11. Other Financial Assets

	NOTES	2016 $'000	2015 $'000
Security deposits		**347**	369
Operating lease receivable		**14,211**	12,353
		14,558	12,722

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

Note 12. Capitalised Lease – Operational Land

	NOTES	2016 $'000	2015 $'000
Carrying amount at 1 July		**127,279**	111,006
Transfer from investment land (i)	13	**-**	35,562
Transfer from ground leases and licenses	13	**230**	780
Transfer from investment buildings	13	**-**	3,620
Revaluation of operational land transferred to investment land	22(a)	**40,040**	255,810
Transfer to investment land	13(iv)	**(48,312)**	(278,273)
Revaluation of operational land transferred to ground leases and licenses	22(a)	**-**	24,274
Transfer to ground leases and licenses	13(v)	**-**	(25,030)
Amortisation expense	3(d)	**(1,573)**	(1,366)
Other		**-**	896
Carrying amount at 30 June		**117,664**	127,279

(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(v)), 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.

Note 13. Investment Property

	NOTES	2016 $'000	2015 $'000
Investment Land – at fair value			
Carrying amount at 1 July		**486,000**	290,500
Transfer to investment buildings		**(6,002)**	(6,900)
Transfer to operational land	12, (iii)	**-**	(35,562)
Transfer to ground leases and licenses		**(6,019)**	(4,550)
Transfer from investment buildings		**-**	1,600
Transfer from operational land	12, (iv)	**48,312**	278,273
Transfer from ground leases and licenses		**9,750**	-
Revaluation decrements	2(c)	**(32,641)**	(37,361)
Fair value at 30 June		**499,400**	486,000
Ground Leases and Licenses – at fair value			
Carrying amount at 1 July		**225,210**	202,330
Transfer to operational land	12	**(230)**	(780)
Transfer to investment land		**(9,750)**	-
Transfer from operational land	12, (v)	**-**	25,030
Transfer from investment land		**6,019**	4,550
Premium lease disposals	(ii)	**-**	(1,100)
Revaluation increments/(decrements)	2(c)	**10,251**	(4,820)
Fair value at 30 June		**231,500**	225,210
Investment Buildings – at fair value			
Carrying amount at 1 July		**433,020**	371,960
Transfer from investment buildings under construction		**3,742**	11,981
Investment buildings – current year construction costs		**14,947**	25,084
Transfer to operational land	12	**-**	(3,620)
Transfer from investment land		**6,002**	6,900
Transfer to investment land		**-**	(1,600)
Revaluation (decrements)/increments	2(c)	**(10,841)**	22,315
Fair value at 30 June		**446,870**	433,020
Investment Buildings under construction – at cost			
Carrying amount at 1 July		**5,490**	12,578
Transfer to investment buildings – completed buildings		**(3,742)**	(11,981)
Transfer to infrastructure, plant and equipment		**(1,748)**	-
New investment buildings under construction – at cost		**-**	4,803
Borrowing costs capitalised – new investment buildings under construction	(i)	**-**	90
Carrying amount at 30 June		**-**	5,490
Total Investment Property at 30 June		**1,177,770**	1,149,720

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.

NOTE 13. 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 $2,317,000 (2015: $1,694,000) of borrowing costs were capitalised on the construction of investment buildings. Borrowing costs were capitalised at a weighted average interest rate of 4.65% (2015: 5.78%).

(ii) During the year ending 30 June 2016, the Company entered into nil (2015: one) separate Board approved premium leasing transactions which resulted in the disposal of nil (2015: one) ground lease with a carrying value of $nil (2015: $1,100,000).

(iii) During the year investment land with a carrying value of nil (2015: $35,562,000) was transferred to operational land. This transfer primarily reflects a change in intended use for construction of new operational car parks on land that was previously classified as englobo investment land.

(iv) During the year operational land with a carrying value of $8,272,000 (2015: $22,463,000) was transferred to investment land. The land was valued at $48,312,000 (2015: $278,273,000) at the date of transfer. The revaluation increase of $40,040,000 (2015: $255,810,000) 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.

(v) During the year operational land with a carrying value of nil (2015: $756,000) was transferred to ground leases and license. The carrying value of nil (2015: $25,030,000) was transferred to ground leases and license. The revaluation increase of nil (2015: $24,274,000) being the difference at the date of transfer between the carrying amount and its fair value, is recognised in asset revaluation reserve. This transfer primarily reflects a change in intended use for future operational car parks on land that was previously held as investment land.

The following table provides the fair value measurement hierarchy of the company's investment properties as at 30 June 2015 and 30 June 2016.

	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) $'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) $'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) $'000	TOTAL $'000
30 JUNE 2016				
Investment Property at fair value				
Investment land	**-**	**-**	**499,400**	**499,400**
Ground leases and licenses	**-**	**-**	**231,500**	**231,500**
Investment buildings	**-**	**-**	**446,870**	**446,870**
	-	**-**	**1,177,770**	**1,177,770**
30 JUNE 2015				
Investment Property at fair value				
Investment land	-	-	486,000	486,000
Ground leases and licenses	-	-	225,210	225,210
Investment buildings	-	-	433,020	433,020
	-	-	1,144,230	1,144,230

NOTE 13. 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 2016	2015
Investment land	Direct comparison approach	Site rate	$21/m² - $392/m²	$22/m² - $419/m²
Ground leases and licenses	Income capitalisation	Capitalisation rate	7.25% - 15.00%	7.25% - 15.00%
		Market rental rate	$11.10/m² pa net to $1,223.85/m² pa net	$12.02/m² pa net to $1,209/m² pa net
	Direct comparison approach	Site rate	$215/m² - $410/m²	$215/m² - $415/m²
Investment buildings	Income capitalisation	Capitalisation rate	6.75% - 13.00%	7.00% - 11.50%

Leasing arrangements

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

	2016 $'000	2015 $'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	**71,480**	63,911
Later than one year but not later than 5 years	**136,776**	155,838
Later than 5 years	**98,829**	102,168
	307,085	321,917

Note 14. Infrastructure, Plant and Equipment

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

Information relating to security over assets is set out in note 18(c).

During the year borrowing costs were capitalised on the construction of qualifying assets. Included within assets under construction is borrowing costs of $55,585,000 (2015: $29,312,000) which were capitalised at a weighted average interest rate of 4.65% (2015: 5.78%).

NOTE 14. INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)

		INFRASTRUCTURE ASSETS UNDER LEASE						
	PLANT AND EQUIPMENT	BUILDINGS	FIXED PLANT AND EQUIPMENT	RUNWAYS, TAXIWAYS AND APRONS	OTHER INFRA-STRUCTURE	TOTAL INFRA-STRUCTURE ASSETS UNDER LEASE	ASSETS UNDER CONS-TRUCTION	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross Carrying Value at cost - 1 July 2015	**32,075**	**218,112**	**125,366**	**221,102**	**297,752**	**862,332**	**572,477**	**1,466,884**
Additions	-	9,800	-	-	-	9,800	231,619	241,419
Transfers - capitalised work in progress	2,715	5,272	4,570	11,642	36,127	57,611	(60,326)	-
Transfers - investment properties	-	-	-	-	-	-	(13,199)	(13,199)
Disposals	(652)	-	-	-	-	-	(222)	(874)
Gross Carrying Value - 30 June 2016	**34,138**	**233,184**	**129,936**	**232,744**	**333,879**	**929,743**	**730,349**	**1,694,230**
Accumulated Depreciation - 1 July 2015	**(18,617)**	**(55,429)**	**(49,806)**	**(39,864)**	**(66,045)**	**(211,144)**	**-**	**(229,761)**
Depreciation charge for the year	(5,431)	(14,910)	(17,220)	(7,539)	(15,606)	(55,275)	-	(60,706)
Disposals	579	-	-	-	-	-	-	579
Accumulated Depreciation - 30 June 2016	**(23,469)**	**(70,339)**	**(67,026)**	**(47,403)**	**(81,651)**	**(266,419)**	**-**	**(289,888)**
Carrying Value 1 July 2015	**13,458**	**162,683**	**75,560**	**181,238**	**231,707**	**651,188**	**572,477**	**1,237,123**
Carrying Value 30 June 2016	**10,669**	**162,845**	**62,910**	**185,341**	**252,228**	**663,324**	**730,349**	**1,404,342**
Gross Carrying Value at cost - 1 July 2014	**31,023**	**215,938**	**122,714**	**181,490**	**269,380**	**789,522**	**392,466**	**1,213,011**
Additions	-	-	-	-	-	-	284,161	284,161
Transfers - capitalised work in progress	1,243	2,174	2,652	39,612	28,372	72,810	(74,053)	-
Transfers - investment properties	-	-	-	-	-	-	(29,977)	(29,977)
Disposals	(191)	-	-	-	-	-	(120)	(311)
Gross Carrying Value - 30 June 2015	**32,075**	**218,112**	**125,366**	**221,102**	**297,752**	**862,332**	**572,477**	**1,466,884**
Accumulated Depreciation - 1 July 2014	**(16,238)**	**(47,210)**	**(42,156)**	**(31,720)**	**(51,370)**	**(172,456)**	**-**	**(188,694)**
Depreciation charge for the year	(2,528)	(8,219)	(7,650)	(8,144)	(14,675)	(38,688)	-	(41,216)
Disposals	149	-	-	-	-	-	-	149
Accumulated Depreciation - 30 June 2015	**(18,617)**	**(55,429)**	**(49,806)**	**(39,864)**	**(66,045)**	**(211,144)**	**-**	**(229,761)**
Carrying Value 1 July 2014	**14,785**	**168,728**	**80,558**	**149,770**	**218,010**	**617,066**	**392,466**	**1,024,317**
Carrying Value 30 June 2015	**13,458**	**162,683**	**75,560**	**181,238**	**231,707**	**651,188**	**572,477**	**1,237,123**

Note 15. Goodwill and Other Intangible Assets

			OTHER INTANGIBLE ASSETS					
	NOTES	GOODWILL	DOMAIN NAME WITH INDEFINITE USEFUL LIFE	CAPITALISED MASTER PLAN COSTS	OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT SYSTEM	LICENSES WITH DEFINITE USEFUL LIFE	WORK IN PROGRESS	TOTAL OTHER INTANGIBLE ASSETS
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
At 1 July 2014		443,598	106	2,428	859	21,659	-	25,052
Cost derecognised		-	-	(2,428)	-	(546)	-	(2,974)
Additions		-	-	1,788	39	357	-	2,184
At 30 June 2015		**443,598**	**106**	**1,788**	**898**	**21,470**	**-**	**24,262**
Cost derecognised		-	-	-	-	(464)	-	(464)
Additions		-	-	-	-	1,695	11	1,706
At 30 June 2016		**443,598**	**106**	**1,788**	**898**	**22,701**	**11**	**25,504**
Amortisation								
At 1 July 2014		-	-	2,428	29	16,751	-	19,208
Amortisation derecognised		-	-	(2,428)	-	(546)	-	(2,974)
Amortisation expense	3(d)	-	-	179	91	1,484	-	1,754
At 30 June 2015		**-**	**-**	**179**	**120**	**17,689**	**-**	**17,988**
Amortisation derecognised		-	-	-	-	(465)	-	(465)
Amortisation expense	3(d)	-	-	357	89	1,445	-	1,891
At 30 June 2016		**-**	**-**	**536**	**209**	**18,669**	**-**	**19,414**
Net book value								
At 30 June 2016		443,598	106	1,252	689	4,032	11	6,090
At 30 June 2015		443,598	106	1,609	778	3,781	-	6,274

NOTE 15. 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") 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 (2015: 25 years), while the terminal value growth rate used to extrapolate cash flow projections is 2.5% (2015: 2.5%).
- 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 11.5% to 12.2% (2015: 11.8% to 12.5%).

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 recoverable amount of the cash generating unit compared to the 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.

Note 16. Trade and Other Payables

	NOTES	2016 $'000	2015 $'000
Trade payables – unsecured		**13,124**	10,090
Bond issue – 10 years – net interest payable		**676**	717
Syndicated facility – Tranche A interest payable		**13**	779
Syndicated facility – Tranche B interest payable		**-**	2,598
$A medium term note interest payable		**9,799**	9,813
United States Private Placement – Series A, B, C, E, F and G interest payable		**17,828**	7,066
United States Private Placement – Series D and H interest payable		**3,407**	952
Interest rate swaps – net interest payable		**452**	284
Accrued borrowing expenses		**320**	152
Other creditors – unsecured		**30,675**	22,838
Security deposits	8, 11	**723**	603
Retentions withheld		**28**	28
Net GST Payable		**1,315**	-
		78,360	55,920

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 23.

Note 17. Employee Benefit Liabilities

	2016 $'000	2015 $'000
Annual Leave and Long Service Leave		
Current		
Annual Leave	**2,847**	3,265
Long Service Leave	**3,029**	2,516
Total	**5,876**	5,781
Non-current		
Long Service Leave	**530**	426

Note 18. Interest-bearing loans & borrowings

	NOTES	INTEREST RATE %	MATURITY	2016 $'000	2015 $'000
Current Senior loans & borrowings					
Senior Secured Debt					
Bond Issue - 10 Years	(i)	BBSW + 0.25	11 Nov 2016	**239,898**	-
Total current senior loans & borrowings				**239,898**	-
Non-current Senior loans & borrowings					
Senior Secured Debt					
Bond Issue - 10 Years	(i)	BBSW + 0.25	11 Nov 2016	**-**	239,621
Syndicated facility – Tranche A		BBSY + 1.05	3 June 2019	**39,652**	99,634
Syndicated facility – Tranche B		BBSY + 1.15	3 June 2020	**(1,859)**	394,122
Working capital facility		BBSY + 1.05	3 June 2019	**(50)**	(48)
United States Private Placement – Series A		4.47	26 July 2022	**66,901**	64,619
United States Private Placement – Series B		4.57	26 July 2024	**107,003**	103,362
United States Private Placement – Series C		4.77	26 July 2027	**187,189**	180,833
United States Private Placement – Series D		7.32	26 July 2022	**29,875**	29,854
United States Private Placement – Series E		3.50	9 July 2025	**133,643**	-
United States Private Placement – Series F		3.60	9 July 2027	**200,449**	-
United States Private Placement – Series G		3.75	9 July 2030	**267,244**	-
United States Private Placement – Series H		5.14	9 July 2030	**99,515**	-
$A Medium Term Note – Fixed Income Bond $150m		6.00	23 July 2020	**149,224**	149,030
$A Medium Term Note – Fixed Income Bond $400m		5.50	25 March 2021	**396,041**	395,192
$A Medium Term Note – Floating Bond $100m		BBSW + 2.05	26 March 2024	**99,763**	99,732
Total non-current senior loans & borrowings				**1,774,590**	1,755,951
Non-current Subordinated Unsecured Debt					
Subordinated shareholder loans	(ii)			**-**	66,579
Total non-current subordinated unsecured debt				**-**	66,579
Total non-current Senior loans & borrowings				**1,774,590**	1,822,530

NOTE 18. INTEREST-BEARING LOANS & BORROWINGS (CONTINUED)

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

(i) The 10 year bond facility of $240 million matures on 11 November 2016, and will be repaid by drawing down from existing syndicated facilities.

(ii) Interest is payable on the subordinated shareholder loans at the 6 months BBSW rate set on 30 April of the preceding financial year, and applied from 1 July of each financial year thereafter, plus a margin of 8% per annum. Tranches of subordinated shareholder loans that are drawn down during the year accrue interest expense based on the 6 months BBSW rate at the date the tranche is drawn down, plus a margin of 8% p.a.

The terms and conditions of the Company's financing arrangements provide for the subordination of payment obligations to the unsecured debt holders for such time as any secured money remains owing (refer to note 28(ii)).

A reconciliation of the tranches of the subordinated shareholder loans is:

MATURITY DATE	31 MAY 2019	13 DECEMBER 2021	18 JUNE 2022
Tranche	**Tranche 1**	**Tranche 2**	**Tranche 3**
Drawdown on 31 May 2009	56,120	-	-
Drawdown on 13 December 2011	-	45,000	-
Drawdown on 18 June 2012	-	-	30,600
Repayment on 29 December 2014	(1,309)	-	-
Repayment on 29 June 2015	(54,811)	-	-
Repayment on 29 June 2015	-	(8,613)	-
Repayment on 30 December 2015	-	(30,199)	-
Repayment on 29 June 2016	-	(6,188)	-
Repayment on 29 June 2016	-	-	(30,600)
Balance at 30 June 2016	**-**	**-**	**-**

NOTE 18. INTEREST-BEARING LOANS & BORROWINGS (CONTINUED)

(b) Financing Arrangements excluding subordinated borrowings

(I) $AUD INTEREST-BEARING LOANS AND BORROWINGS	2016 $'000	2015 $'000
Total facilities available:		
Bond Issue – 10 years	**240,000**	240,000
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**	-
Working capital facility	**20,000**	20,000
	1,590,000	1,490,000
Facilities utilised at reporting date		
Bond Issue - 10 years	**240,000**	240,000
Syndicated facility - Tranche A	**40,000**	100,000
Syndicated facility - Tranche B	**-**	396,000
$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**	-
Working capital facility	**-**	10,750
	1,060,000	1,426,750
Facilities not utilised at reporting date		
Syndicated facility - Tranche A	**60,000**	-
Syndicated facility - Tranche B	**450,000**	54,000
Working capital facility	**20,000**	9,250
	530,000	63,250

(II) $USD INTEREST-BEARING LOANS AND BORROWINGS	2016 $'000	2015 $'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**	-
United States Private Placement – Series F	**150,000**	-
United States Private Placement – Series G	**200,000**	-
	720,000	270,000

NOTE 18. 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:

(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 2016 was 2.80:1 (2015: 2.91:1).

(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 2016 was 0.41:1 (2015: 0.37:1). Refer to note 23 for further details.

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

(d) Reconciliation of interest-bearing loans & borrowings

	BALANCE 30 JUNE 2015	CASH FLOWS			NON-CASH CHANGES		BALANCE 30 JUNE 2016
		PROCEEDS	PREPAYMENTS	UPFRONT BORROWING COSTS	AMORTISATION OF UPFRONT BORROWING COSTS	FOREIGN EXCHANGE MOVEMENT	
SENIOR SECURED DEBT	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Bond Issue – 10 Years	239,621	-	-	-	277	-	**239,898**
Syndicated facility – Tranche A	99,634	65,000	(125,000)	(101)	119	-	**39,652**
Syndicated facility – Tranche B	394,122	-	(396,000)	(456)	475	-	**(1,859)**
Working capital facility	(48)	-	-	(20)	18	-	**(50)**
United States Private Placement – Series A	64,619	-	-	-	36	2,246	**66,901**
United States Private Placement – Series B	103,362	-	-	-	47	3,594	**107,003**
United States Private Placement – Series C	180,833	-	-	-	66	6,290	**187,189**
United States Private Placement – Series D	29,854	-	-	-	21	-	**29,875**
United States Private Placement – Series E	-	133,904	-	(650)	65	324	**133,643**
United States Private Placement – Series F	-	200,857	-	(974)	81	485	**200,449**
United States Private Placement – Series G	-	267,809	-	(1,299)	87	647	**267,244**
United States Private Placement – Series H	-	100,000	-	(519)	34	-	**99,515**
$A Medium Term Note – Fixed Bond $150m	149,030	-	-	-	194	-	**149,224**
$A Medium Term Note – Fixed Bond $400m	395,192	-	-	-	849	-	**396,041**
$A Medium Term Note – Floating Bond $100m	99,732	-	-	-	31	-	**99,763**
	1,755,951	767,570	(521,000)	(4,019)	2,400	13,586	**2,014,488**
Subordinated Unsecured Debt							
Subordinated shareholder loans	66,579	-	(66,987)	-	408	-	**-**
Total interest-bearing loans & borrowings	1,822,530	**767,570**	**(587,987)**	**(4,019)**	**2,808**	**13,586**	**2,014,488**

Note 19. Deferred Revenue

	2016 $'000	2015 $'000
Current Liabilities:		
Balance at 1 July	**984**	1,024
Recognised as income	**(984)**	(1,024)
Transfer from non-current liabilities	**944**	984
Balance at 30 June	**944**	984
Non-Current Liabilities:		
Opening balance at 1 July	**18,887**	19,871
Transfer to current liabilities	**(944)**	(984)
Balance at 30 June	**17,943**	18,887

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 20. Derivative Financial Instruments – Assets and Liabilities

		2016 $'000	2015 $'000
Financial non-current assets at fair value through profit or loss			
Derivatives – Held for Trading			
Cross currency swaps	(ii)	**138,900**	56,502
Total financial non-current assets at fair value through profit or loss		**138,900**	56,502
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)	**(36,543)**	(8,382)
Total financial non-current liabilities at fair value through profit or loss		**(36,543)**	(8,382)
Total financial non-current assets/ (liabilities)		**102,357**	48,120

(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.

Note 20. 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 2016:					
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 2015:					
Maturity Date	Jun-21	Nov-24	Feb-26	Mar-26	Total Notional
Notional	-	90,000,000	-	-	90,000,000

The fair value of interest rate swaps that are offset, and subject to enforceable ISDA Master Agreements as at 30 June 2016 and 30 June 2015:

	2016			2015		
	ASSETS $'000	LIABILITIES $'000	TOTAL $'000	ASSETS $'000	LIABILITIES $'000	TOTAL $'000
Interest rate swaps						
Fair value	**86,698**	**(123,241)**	**(36,543)**	22,163	(30,545)	(8,382)

(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				

NOTE 20. 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 2016 and 30 June 2015:

	2016			2015		
	ASSETS $'000	LIABILITIES $'000	TOTAL $'000	ASSETS $'000	LIABILITIES $'000	TOTAL $'000
Cross currency swaps						
Fair value	**1,215,662**	**(1,076,762)**	**138,900**	484,054	(427,552)	56,502

Note 21. Deferred Tax Liabilities

DEFERRED INCOME TAX AT 30 JUNE RELATES TO:	NOTES	STATEMENT OF FINANCIAL POSITION 2016 $'000	STATEMENT OF FINANCIAL POSITION 2015 $'000	PROFIT OR LOSS 2016 $'000	PROFIT OR LOSS 2015 $'000	OTHER COMPREHENSIVE INCOME 2016 $'000	OTHER COMPREHENSIVE INCOME 2015 $'000
Deferred tax liabilities							
Accelerated depreciation for tax purposes		**41,574**	35,809	**5,764**	6,461	**-**	-
Revaluations of investment properties to fair value		**289,175**	282,557	**(5,395)**	(9,131)	**12,012**	84,025
Capitalised lease – operational land		**35,299**	38,184	**(2,884)**	5,904	**-**	-
Contractual intangible assets		**1,022**	1,152	**(130)**	(252)	**-**	-
Derivative financial instruments – held for trading		**41,670**	16,951	**24,719**	16,951	**-**	-
Property development income – future assessable amounts		**30,185**	31,145	**(959)**	(608)	**-**	-
Accrued revenue		**885**	330	**554**	(1,590)	**-**	-
		439,810	406,128	**21,669**	17,735	**12,012**	84,025
Deferred tax assets							
Doubtful debts		**(32)**	(32)	**-**	73	**-**	-
Accrued expenses		**(3,191)**	(2,970)	**(221)**	(466)	**-**	-
Capitalised legal expenses		**(97)**	(51)	**(45)**	33	**-**	-
Derivative financial instruments – cash flow hedges		**-**	-	**-**	1,366	**-**	493
Derivative financial instruments – held for trading		**(10,963)**	(2,516)	**(8,448)**	11,660	**-**	-
Finance costs		**(30,581)**	(26,311)	**(4,269)**	(17,455)	**-**	-
Employee benefits		**(1,921)**	(1,863)	**(60)**	(243)	**-**	-
		(46,785)	(33,743)	**(13,043)**	(5,032)	**-**	493
Net deferred tax liabilities at 30 June		**393,025**	372,385				
Deferred tax expense	5			**(8,626)**	12,703		
Net transfers to Other Comprehensive Income	5					**12,012**	84,518

Note 22. Contributed Equity

MOVEMENT IN ORDINARY SHARES ON ISSUE	NO. SHARES	$'000
At 30 June 2014	146,774,081	161,865
Share issue	-	-
At 30 June 2015	146,774,081	161,865
Share issue	-	-
At 30 June 2016	**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	2016 $'000	2015 $'000
Balance at 1 July		**203,769**	7,710
Revaluation of capitalised lease – operational land transferred to investment land	12	**40,040**	255,810
Revaluation of capitalised lease – operational land transferred to ground leases and licensees	12	**-**	24,274
Deferred tax – other comprehensive income	5, 21	**(12,012)**	(84,025)
Balance at 30 June 2016 net of deferred tax		**231,797**	203,769

(b) Cash flow hedge reserve

The cash flow hedge reserve records the portion of the gain or loss on interest rate swaps net of income tax designated in a cash flow hedge that is determined to be an effective hedge. The cash flow hedge reserve also records the net movement of interest rate swaps that were both derecognised and reset, and interest rate swap de-designations arising from capital repayments of the syndicated facility agreement.

	NOTES	SWAP RESET COSTS $'000	SWAP DE-DESIGNATION $'000	EFFECTIVE HEDGES $'000	TOTAL $'000
Balance at 30 June 2014 net of deferred tax		**-**	**-**	**(1,150)**	**(1,150)**
Hedges closed out	4	-	-	1,643	1,643
		-	-	493	493
Deferred tax - other comprehensive income	5, 21	-	-	(493)	(493)
Balance at 30 June 2015 net of deferred tax		**-**	**-**	**-**	**-**
Hedges closed out		-	-	-	-
		-	-	-	-
Deferred tax - other comprehensive income		-	-	-	-
Balance at 30 June 2016 net of deferred tax		**-**	**-**	**-**	**-**

Note 23. 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.

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 below, including the setting of limits for hedging of interest rate risk, credit allowances, and future cash flow forecast projections.

Shareholder Distributions

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

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

Financial Leverage

The ultimate Australian parent entity of PAPL is Perth Airport Development Group Pty Ltd ("PADG"), which at 30 June 2016 owns 100% (2015: 100%) of the issued ordinary shares of PAPL (refer to Note 28(vi)). PADG aims to maintain a leverage ratio below 0.75:1 (2015: 0.75:1) (refer to Note 18(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.

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) CAPITAL RISK MANAGEMENT (CONTINUED)

THE LEVERAGE RATIOS BASED ON CONTINUING OPERATIONS IS:	2016 $'000	2015 $'000
Accrued interest on senior debt facilities	**32,175**	21,925
Syndicated facility – Tranche A	**40,000**	100,000
Syndicated facility – Tranche B	**-**	396,000
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**	-
United States Private Placement – Series F	**188,561**	-
United States Private Placement – Series G	**251,414**	-
United States Private Placement – Series H	**100,000**	-
Bond Issue - 10 years	**240,000**	240,000
Total senior debt	**1,934,425**	1,714,493
Book carrying value of PADG's investment in PAPL [(1)]	**2,775,321**	2,531,589
Shareholder loans	**66,579**	131,211
Book carrying value of loans from PADG to PAPL [(1)]	**66,579**	131,211
Leverage ratio	**41%**	39%

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

NOTE 23. 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 the 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	2016 $'000	2015 $'000
Cash and cash equivalents	8	**29,110**	17,740
Trade and other receivables	9	**54,392**	45,410
Other financial assets	11	**14,558**	12,722
Derivative financial instruments – cross currency swaps	20	**138,900**	56,502
Income tax receivable – PADG	28(vi)	**21,038**	11,632
		257,998	144,006

(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 nature of industry or geographically.

One of the methods used to manage the concentration of risks relating to these instruments is to report on the 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 8 and Note 11). 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	2016 $'000	2015 $'000
Aeronautical debtors		**35,028**	26,248
Property debtors		**5,024**	4,316
Ground transport debtors		**1,285**	1,323
Retail debtors		**6,438**	6,047
Sundry trade debtors		**1,215**	1,033
	9	**48,990**	38,967

NOTE 23. 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 $530,000,000 (2015: $63,250,000) of committed facilities not utilised (refer to note 18(b)).

NOTE 23. 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 2016. 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:

2016	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	29,110	29,110	29,110	-	-	-
Trade and other receivables	54,392	54,392	54,392	-	-	-
Income tax receivable	21,038	21,038	21,038	-	-	-
Derivative financial assets						
Cross Currency Swap (gross settled) – held for trading						
- Outflow	-	(1,311,278)	(41,821)	(41,749)	(125,850)	(1,101,858)
- Inflow	-	1,387,234	38,885	38,885	116,760	1,192,704
Cross currency swap carrying amount	138,900	-	-	-	-	-
Total financial assets	**243,440**	**180,496**	**101,604**	**(2,864)**	**(9,090)**	**(90,846)**
Non derivative financial liabilities						
Trade and other payables	(78,360)	(78,360)	(78,360)	-	-	-
Interest-bearing loans & borrowings	(2,014,488)	(2,738,482)	(323,514)	(81,873)	(829,162)	(1,503,933)
Derivative financial liabilities						
Interest rate swap – held for trading (net settled)	(36,543)	(56,752)	(7,879)	(8,175)	(23,388)	(17,310)
Total financial liabilities	**(2,129,391)**	**(2,873,594)**	**(409,753)**	**(90,048)**	**(852,550)**	**(1,521,243)**
Net inflow / (outflow)			**(308,149)**	**(92,912)**	**(861,640)**	**(1,612,089)**

NOTE 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) RISK EXPOSURES AND MITIGATION (CONTINUED)

(2) LIQUIDITY RISK (CONTINUED)

2015	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	17,740	17,740	17,740	-	-	-
Trade and other receivables	45,410	45,410	45,410	-	-	-
Income tax receivable	11,632	11,632	11,632	-	-	-
Derivative financial assets						
Cross Currency Swap (gross settled) – held for trading						
- Outflow	-	(1,375,012)	(42,875)	(42,924)	(130,876)	(1,158,337)
- Inflow	-	1,378,383	37,583	37,583	112,852	1,190,365
Cross currency swap carrying amount	56,502	-	-	-	-	-
Total financial assets	**131,284**	**78,153**	**69,490**	**(5,341)**	**(18,024)**	**32,028**
Non derivative financial liabilities						
Trade and other payables	(55,920)	(55,920)	(55,920)	-	-	-
Interest-bearing loans & borrowings	(1,822,530)	(2,347,348)	(81,363)	(421,038)	(590,634)	(1,254,313)
Derivative financial liabilities						
Interest rate swap – held for trading (net settled)	(8,382)	(16,705)	(2,235)	(2,219)	(6,017)	(6,234)
Total financial liabilities	**(1,886,832)**	**(2,419,973)**	**(139,518)**	**(423,257)**	**(596,651)**	**(1,260,547)**
Net outflow			**(70,028)**	**(428,598)**	**(614,675)**	**(1,228,519)**

NOTE 23. 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 18. 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 20, with fair value of $36,543,000 out of the money (2015: $8,382,000) 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:

	2016 $'000	2015 $'000
Financial Assets		
Cash and cash equivalents	**29,110**	17,740
Cross currency swaps – held for trading	**138,900**	56,502
	168,010	74,242
Financial Liabilities		
Interest bearing loans and borrowings – variable rate	**377,403**	833,061
Interest rate swaps – held for trading	**36,543**	8,382
Subordinated shareholder loans	**-**	66,579
	413,946	908,022
Net Financial Liabilities	**(245,936)**	(833,780)

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 2016, after taking into account the effect of these interest rate swaps, approximately 99.92% (2015: 39%) of the Company's drawn senior interest-bearing loans and borrowings is economically hedged at a fixed rate of interest, while 99.92% (2015: 38%) of the Company's total drawn 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.

NOTE 23. 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 2016, 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)
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
+25 basis points	**9,293**	30,622	-	-
-25 basis points	**(9,494)**	(31,581)	-	-

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 2016, the Company's exposure to the risk of changes in foreign exchange rates relates to cross currency swaps (refer to note 20(ii) and (iii), and the USPP (refer to note 18). 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)
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
+1%	**(21,925)**	(11,383)	-	-
-1%	**22,047**	5,426	-	-

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

NOTE 23. 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(u). 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	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Financial Assets				
Cross currency swaps – held for trading	**138,900**	56,502	**138,900**	56,502
Total	**138,900**	56,502	**138,900**	56,502
Financial Liabilities				
Interest bearing loans and borrowings				
Variable rate borrowings	**377,403**	899,640	**373,716**	829,854
Fixed rate borrowings	**1,637,085**	922,890	**1,794,421**	1,006,617
Interest rate swaps – held for trading	**36,543**	8,382	**36,543**	8,382
Total	**2,051,031**	1,830,912	**2,204,680**	1,844,853

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 2016 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. 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 2016, 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 2016				
Financial Assets				
Cross currency swaps	**-**	**138,900**	**-**	**138,900**
Financial Liabilities				
Variable rate borrowings	**-**	**373,716**	**-**	**373,716**
Fixed rate borrowings	**-**	**1,794,421**	**-**	**1,794,421**
Interest rate swaps	**-**	**36,543**	**-**	**36,543**
	-	**2,204,680**	**-**	**2,204,680**
30 June 2015				
Financial Assets				
Cross currency swaps	-	56,502	-	56,502
Financial Liabilities				
Variable rate borrowings	-	829,854	-	829,854
Fixed rate borrowings	-	1,006,617	-	1,006,617
Interest rate swaps	-	8,382	-	8,382
	-	1,844,853	-	1,844,853

Note 24. Capital and Leasing Commitments

(i) Capital Commitments

	2016 $'000	2015 $'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	**51,147**	113,073

(ii) Finance and Operating Leases

During the year ending 30 June 2016, the Company entered into nil (2015: one) separate Board approved premium leasing transactions which resulted in nil (2015: nil) disposals of investment land with a carrying value of nil (2015: $nil) and one disposal of a ground lease with a carrying value of nil (2015: $1,100,000).

Note 25. 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 15.

(iii) Legal

The Contractor on the Arrivals 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). PAPL and its Contractor continue to explore settlement opportunities in relation to the claims. 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).

Note 26. Cash Flow Information

	NOTES	2016 $'000	2015 $'000
Reconciliation of net profit after tax to net cash flows from operations			
Profit from continuing operations after income tax		**102,436**	68,929
Adjustments for:			
Depreciation and intangible amortisation	3(c), 3(d)	**62,598**	42,970
Capitalised lease – operational land amortisation	12	**1,573**	1,366
Derivative valuation and borrowing costs		**(78,649)**	(97,427)
Finance costs – revaluation of USPP	3(b)	**13,586**	63,845
Fair value loss / (gain) on investment property	2(c)	**33,231**	19,866
Profit / (loss) on sale of infrastructure, plant and equipment	2(a)	**(43)**	(8)
Capital works in progress written off		**222**	(115)
		134,954	99,426
Changes in assets and liabilities			
Change in trade and other receivables		**(11,894)**	10,527
Change in other operating assets		**(10,834)**	(25,008)
Change in deferred tax assets	21	**(13,042)**	(4,539)
Change in deferred tax liabilities	21	**33,682**	101,760
Change in current tax liability		**(9,406)**	(15,433)
Change in deferred tax in equity	21	**(12,012)**	(84,518)
Change in trade and other payables		**1,873**	4,260
Change in deferred revenue	19	**(984)**	(1,024)
Change in other provisions	17	**199**	812
Change in interest-bearing liabilities		**56,539**	2,134
		169,075	88,397
Interest paid – interest rate swap termination costs	3(b)	**-**	82,466
Interest paid – senior debt		**88,786**	83,956
Interest paid – subordinated debt		**5,437**	14,290
Net cash from operating activities		**263,298**	269,109

Note 27. 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 2016 that have significantly affected, or may significantly affect:

a) The Company's operations in future financial years, or

b) The results of those operations in future financial years, or

c) The Company's state of affairs in future financial years.

Note 28. Related Party disclosure

(i) Compensation of Key Management Personnel

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

(i.i) Company Executives

Executives who held office during the financial year were:

Brad Geatches – Chief Executive Officer (ceased employment 1 July 2016)

Victor Howard – Chief Financial Officer

Guy Thompson – Executive General Manager of Assets and Capital Works

Scott Norris – Executive General Manager of Commercial Services

Brian Krause – Executive General Manager of Aviation Business Development (ceased employment 4 August 2014)

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

Tony Brun – Executive General Manager of Integrated Planning

Rowan Chalmers – Executive General Manager of Operations and Customer Experience (ceased employment 28 June 2015)

Steven Holden – Executive General Manager of Property (appointed 4 August 2014)

Chris Pratt – Executive General Manager of Capital Works (appointed 1 July 2015)

NOTE 28. RELATED PARTY DISCLOSURE (CONTINUED)

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

	2016 $	2015 $
Short-term employee benefits:		
Salary	**3,343,167**	2,700,616
Annual Performance Payment	**912,080**	679,523
	4,255,247	3,380,139
Other benefits:		
Long Term Incentive Plan	**1,003,908**	1,003,908
	1,003,908	1,003,908
Post-employment benefits:		
Defined contribution superannuation expense	**291,224**	251,044
Termination benefits	**718,944**	-
	1,010,168	251,044
Total compensation	**6,269,323**	4,635,091

(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 Colin Atkin, Mr Matthew Lorback and Mr Clive Appleton,
- Utilities of Australia Pty Ltd as Trustee for the Perth Airport Property Fund – Mr Steven Rankine (appointed 25 May 2016), Mr Richard Hoskins (resigned 13 May 2016) and Mr Matthew Lorback (resigned 13 May 2016),
- AustralianSuper Pty Ltd – Mr Lyndon Rowe and Mr James Walsh,
- Sunsuper Pty. Ltd. as trustee of the Sunsuper Infrastructure Trust 3 – Ms Shirley In't Veld, Mr Tom Snow (resigned 24 February 2016) and Mr David Perkis (appointed 30 March 2016 and resigned 22 July 2016),
- Citicorp Nominees Pty Ltd as custodian for Commonwealth Bank Officers Superannuation Corporation Pty Limited as trustee for Commonwealth Bank Group Super - Ms Shirley In't Veld, Mr Tom Snow (resigned 24 February 2016) and Mr David Perkis (appointed 30 March 2016 and resigned 22 July 2016),
- 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.

NOTE 28. RELATED PARTY DISCLOSURE (CONTINUED)

(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 2016 amounted to $1,201,000 (2015: $1,180,000).

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 2016 there was an amount of $2,000 (2015: $184,000) in respect of fees payable to the shareholders.

(ii) Subordinated Shareholder Loans

The purchase of the Perth Airport lease was partly funded by way of shareholder sponsored subordinated debt. Interest is payable on the debt at BBSW plus a margin of 8%. BBSW is set for the upcoming financial year based on the average mid-rate for bills having a tenor closest to six months as displayed on the BBSW page on or about 10.30am (Melbourne time) on 30 April prior to the beginning of the financial year. The rate of interest for the year ending 30 June 2016 was 10.2800% (2015: 10.7250%), being BBSW of 2.2800% (2015: 2.7250%) plus a margin of 8%. The interest rate for the financial year ending 30 June 2017 has been set at 10.2850%, being BBSW of 2.2850% plus a margin of 8%. Interest on the subordinated shareholder loan is capitalised if not paid each quarter. A total of $5,437,000 (2015: $14,290,000) of interest was incurred during the year, while interest totaling $5,437,000 (2015: $14,290,000) was paid during the year.

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

There were no contributions from shareholders during the year (2015: $ nil) of subordinated shareholder loans (refer to note 18(iii). A total of $66,987,000 (2015: $ 64,734,000) of principal repayments of the subordinated shareholder loan were made during the year.

(iii) Perth Airport Property Trust

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

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

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 2016, PAPL received from PAPT ground rental income of $149,000 (2015: $149,000). PAPL holds a property management agreement with PAPT, whereby PAPL receives a fee calculated at 5% per annum of the gross revenue from properties held by PAPT. At 30 June 2016, PAPL received $143,000 (2015: $138,000) 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 2016, PAPL received from PAPT recharged property service income of $904,000 (2015: $816,000). At 30 June 2016, there was $52,000 (2015: $47,000) of trade payables and no (2015: $nil) loan owing from PAPT to PAPL.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 28. RELATED PARTY DISCLOSURE (CONTINUED)

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

	2016 $'000	2015 $'000
Minimum lease payments receivable under non-cancellable operating leases not recognised in the financial statements as receivable:		
Within one year	**108**	105
Later than one year but not later than 5 years	**432**	421
Later than 5 years	**2,564**	2,607
	3,104	3,133

(iv) PAPT Holdings Pty Ltd

At 30 June 2016, there was nil (2015: $18,000) loan owing from PAPT Holdings Pty Ltd to PAPL.

(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, Citicorp Nominees Pty Ltd as custodian for Commonwealth Bank Officers Superannuation Corporation Pty Ltd as trustee for Commonwealth Bank Group Super is wholly owned by Commonwealth Bank Ltd (CBA). CBA provides financial services and debt facilities to the Company on normal commercial terms and conditions.

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.

(vi) Ownership Interests

The ultimate Australian parent entity is Perth Airport Development Group Pty Ltd, which at 30 June 2016 owns 100% (2015: 100%) of the issued ordinary shares of Perth Airport Pty Ltd. Transactions between PADG and PAPL for the year related to shareholder loans advanced by PADG and associated interest charges, and also payments / receipts between PADG as the head entity of the tax-consolidated group (refer to note 1r(ii)) with the Australian Taxation Office consistent with the tax funding agreement and the stand-alone taxpayer approach. At 30 June 2016 PADG has an income tax receivable from the Australian Taxation Office of $21,038,000 (2015: $11,632,000) that is payable to PAPL:

	NOTES	**2016 $'000**	2015 $'000
Income tax receivable – PADG	1(r)(ii)	**(21,038)**	(11,632)
Subordinated shareholder loans	18	**-**	66,579
		(21,038)	54,947

NOTE 28. RELATED PARTY DISCLOSURE (CONTINUED)

PADG is owned by the following shareholders:

	2016 %	2015 %
Gardior Pty Ltd as the Trustee for the Infrastructure Fund	**4.3%**	4.3%
Utilities of Australia Pty Ltd as the Trustee for the Utilities Trust of Australia	**38.3%**	38.3%
Utilities of Australia Pty Ltd as the Trustee for the Perth Airport Property Fund	**17.3%**	17.3%
AustralianSuper Pty Ltd	**5.0%**	5.0%
Commonwealth Bank Officers Superannuation Corporation Pty Ltd as trustee for Commonwealth Bank Group Super	**3.2%**	3.2%
Sunsuper Pty Limited as trustee of the Sunsuper Infrastructure Trust 3 (Sunsuper)	**1.9%**	2.2%
The Northern Trust Company (TNTC) in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of The Future Fund Board of Guardians	**30.0%**	29.7%
	100.0%	100.0%

Note 29. Company Information

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

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

PerthAirport

Directors' Declaration

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

1. In the opinion of the directors:

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

(i) Giving a true and fair view of the Company's financial position as at 30 June 2016 and of their performance for the financial year ended on that date; and

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

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

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

Signed in accordance with a resolution of the Board of Directors on 28 September 2016.

Colin Beckett
CHAIRMAN

Perth, Western Australia
28 September 2016

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Independent audit report to members of Perth Airport Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Perth Airport Pty Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Perth Airport Pty Ltd is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Ernst & Young

R Kirkby
PARTNER

Perth
28 September 2016

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