PERTH AIRPORT TRANSFORM

ABOUT THIS ANNUAL REPORT

This report is one of three published reports covering the company's activities during the 2012/13 financial year. It is structured to respond to the company's corporate objectives to demonstrate progress and to accurately reflect achievements during the 2012/13 financial year. The Annual Financial Report is contained within this document and the Annual Environment Report is published separately. All reports can be downloaded from the Perth Airport website at **www.perthairport.com.au**

CHAIRMAN'S REVIEW

David Crawford CHAIRMAN.
PERTH AIRPORT PTY LTD

The year ending 30 June 2013 was a successful and important one for Perth Airport Pty Ltd. During the year our company continued to provide safe and reliable airport services, delivered good returns to our shareholders and reached important milestones in our transformational capital expenditure program.

Commercial aviation is arguably the most important form of transport for Western Australians. While aviation can bridge the vast distances between communities in our state and elsewhere in Australia in hours, the next most efficient transport mode typically takes days. Perth Airport plays a central role in the State's commercial aviation industry, as the international gateway and the main hub for interstate, intrastate and international air services.

Our company is undergoing significant change. During the year, Future Fund Investment Company No.3 Pty Ltd acquired a 29.7% interest in Perth Airport from the Australian Infrastructure Fund Trust. At the same time, the shareholders and Board of Directors have continued to review the make-up of the Board. After years of valuable service, Mr Ron Doubikin (12 years' service) and Mr Jeff Pollock (seven years' service) resigned from the Board in July 2013 and April 2013 respectively. Dr Raphael Arndt, Ms Wendy Norris, Mr Colin Atkin and Ms Shirley In't Veld have been appointed to the Board this year.

Further changes to the Board are expected, reflecting the need to ensure suitable skills and experience exist to guide the company through this period of change and also reflecting the changes in ownership that have occurred.

Demand for air services continued to grow strongly during the year, with total airport passenger movements increasing by 8.2 per cent on the prior year; this was the highest growth rate of all Australian capital cities for the seventh successive year.

During the second half of the year there was a marked slowing in the rate of growth of intrastate and interstate passenger movements, reflecting the dampening effect of lower commodity prices on the state's resource sector. Notwithstanding this moderation in the rate of growth, Perth Airport's critical role in the resource sector's fly-in, fly-out mode of workforce deployment continued to be reflected in unabated demand for runway access during mid-week early morning and afternoon periods.

To highlight the demands for airfield infrastructure, it is interesting to note that, on average, Perth Airport has constructed a new aircraft parking position every month for the past eight years and there are more than 165 aircraft parked overnight at Perth Airport, more than Sydney and Melbourne airports.

While there is no one methodology for determining precisely when new runways should be constructed at large airports, during the year there was an emerging consensus among aviation industry stakeholders that investment in Perth Airport's third runway should be brought forward. By the year end we had substantially progressed the planning, design and consultation with airlines that is necessary to commit to construction of the third runway.

Our company's role is not confined to providing airport services; we also work with airlines and the Western Australian Government to promote expansion of the air services available to Western Australians.

Our efforts to attract international airlines to Perth continued to be successful during the year with international seat capacity increasing by 11 per cent and Qatar Airways commencing new Perth services to Doha. In the past five years, the number of international airlines servicing Perth has increased from 13 to 17 and the number of international seats has increased by 55 per cent.

During the year our $750 million investment in aviation infrastructure was fully committed, with four major terminal projects underway. In March 2013 the first new terminal to be constructed at Perth Airport in 26 years was opened. The new terminal (Terminal 2) is providing a high quality experience for passengers and improved efficiency and capacity for growth for the airlines operating from the terminal.

By the end of the year, capital projects worth over $350 million were under construction at Terminal 1. These investments will transform the international traveller experience, with the first of the new facilities opening by November 2013.

The Terminal 1 projects also include a new facility for Virgin Australia's domestic operations which will relocate from their current location next to the Qantas Terminal to a new $270 million pier at the southern end of Terminal 1.

Our company's financial performance also continued to support good returns for our shareholders, who in the main, invest on behalf of Australian superannuants. The stable returns we are delivering to shareholders are providing the basis for our access to the equity and debt funds we require to continue with the substantial investments our company is making.

The company's Net Profit After Tax was $267.4 million and Earnings Before Interest Tax Depreciation and Amortisation was $520.3 million. These results were favourably impacted by a non-cash increase in the valuation of the company's investment properties of $250.4 million.

At a time when Federal and State Governments are facing fiscal pressures, combined with the challenge of delivering large scale infrastructure, it is pleasing that economic regulation relevant to Australia's largest airports is providing the basis for continuing large scale investment of private funds at those airports, including Perth Airport.

During the year we were pleased to enter into agreements with Main Roads WA and the Commonwealth to support construction of the Gateway WA road project. Gateway WA is jointly funded by the State and Commonwealth Governments; it will address the congestion that impedes access to Perth Airport during the morning and evening metropolitan peak hours. Together, the Gateway WA project and Perth Airport's major redevelopment program, will deliver a greatly enhanced experience for travellers to and from Perth, while at the same time creating the capacity that is needed to meet the expanding freight task in the Kewdale area.

We were also pleased to provide assistance to the Western Australian Government with its development of the State's first comprehensive commercial aviation policy statement, the "State Aviation Strategy". This policy development process has identified many challenges and opportunities facing aviation in Western Australia and Perth Airport commends the Government on this initiative.

Local Government plays a vital role in the commercial aviation sector, representing the many communities with close physical connections to Perth Airport, controlling land use and owning all but one of the state's regional airports. During the year Councillors and council staff continued to very capably represent their communities in direct engagement with Perth Airport and through the Perth Airports Municipalities Group. Engagement between Perth Airport and Local Government ensures that community needs are a foremost consideration in the planning and operation of Perth Airport.

This year Perth Airport's team of employees again demonstrated their professionalism and capacity by delivering safe and reliable airport services at a time of high demand, while at the same time successfully executing a historically large and complex capital expenditure program. Our company is deeply appreciative of their efforts.

While the rate of growth for Perth Airport services is expected to moderate in the near term compared to the unprecedented growth of the past seven years, the outlook for Western Australia and our company remains favourable. We will continue to work closely with airlines, Airservices Australia, governments and other important stakeholders to ensure that we achieve our objectives of safety, reliability, customer service and improving shareholder value.

Perth Airport's new Domestic Terminal 2, primarily services regional Western Australia and the resource sector's fly-in, fly-out workforce deployment requirements.

CHIEF EXECUTIVE OFFICER'S REVIEW

Brad Geatches CHIEF EXECUTIVE OFFICER. PERTH AIRPORT PTY LTD

I am pleased to report that during the year ending 30 June 2013, Perth Airport Pty Ltd continued on our path of improved service quality and increased infrastructure capacity during a period of continuing strong growth in demand for our services.

We made pleasing progress with our transformational capital investment program, and substantially progressed planning and design of the next wave of investment.

Our company's most important measures of performance are employee and public safety. While the operating tempo of our airport again increased significantly, we operated with no material unplanned public safety events. During the construction of our new Terminal 2, a sub-contractor suffered a serious hand injury. Other than this regrettable accident, employee safety objectives were met.

Considerable resources continued to be applied to risk management. High levels of safety at Perth Airport are supported by effective processes and relationships that exist within the airport community of companies and their employees and the efforts of government agencies which oversee aviation safety and security.

During the year Perth Airport experienced further substantial growth in all aviation markets and all of the capital investment projects in our current phase of major terminal and airfield expansions entered their construction phase.

INTERNATIONAL

International passenger growth of 7.8% to 3.76 million passengers for the year was underpinned by further expansion of the international route network servicing Perth.

During the year, Qatar Airways and Garuda Indonesia commenced services to Perth from their respective hubs of Doha and Jakarta. Perth also benefitted from increases in capacity from Emirates, Singapore Airlines, Jetstar Asia, Tigerair Singapore and Air Mauritius.

Perth Airport's considerable investments in aviation business development have contributed to these further increases in international service availability for Western Australians and the state's international tourism industry. Important also has been the efforts of Tourism WA, and we are appreciative of the effective working relationship that exists between our two organisations in aviation route development activities.

A significant development in international markets during the year was the formation of a comprehensive alliance between Qantas Airways and Emirates. During the year Qantas withdrew its mainline services to Hong Kong and reduced capacity to Singapore, while Emirates increased its seat capacity through Dubai and its extensive network beyond.

The outlook for international aviation remains favourable, contributed to by the lower value of the Australian dollar, some signs of economic recovery in key European markets and our expanding network of Asian destinations.

We recognise that the customer experience at Perth Airport's international terminal is not what it needs to be. During the year we substantially progressed $220 million of capital projects that will transform the international customer experience, commencing in November 2013 when the first of the new facilities opens.

DOMESTIC - INTERSTATE

Interstate passenger growth of 6.6% to 6.10 million passengers was marginally lower than the rate of growth of the two prior years. Growth slowed materially in the second half of the year reflecting the impact of lower commodity prices on the state's resource sector, and the resulting dampening effect on the Western Australian economy.

A feature of interstate markets was the continuing strong competition between Qantas Airways and Virgin Australia. During the year the two airlines increased seat capacity on the main routes of Sydney, Melbourne and Brisbane by nine per cent compared to the prior year, with both airlines shifting most transcontinental services to the wide-bodied A330 aircraft.

We were pleased to open our new Domestic Terminal 2 in March 2013. Alliance Airlines, Tigerair and Skywest relocated from the domestic precinct to the new terminal providing those airlines and their customers a transformed customer experience. At the time of the terminal opening, Virgin Australia completed its acquisition of Skywest and the airline was re-branded as Virgin Australia Regional Airlines.

During the year we also commenced construction of the new pier extension to Terminal 1 that will become the home for Virgin Australia's domestic operations. This new $270 million state-of-the-art facility will have 12 aerobridge aircraft gates, significantly expanded airline lounge and retail areas, and an airside connection to the neighbouring Terminal 2. This airside connection will allow Virgin Australia passengers to easily transfer between their regional and interstate services.

The relocation of approximately 35% of airline services from the domestic precinct, together with our continuing investments in our multi-user Domestic Terminal 3, will progressively deliver a greatly improved customer experience for Qantas domestic passengers and capacity for Qantas growth.

DOMESTIC - INTRASTATE

Intrastate passenger growth of 11.1% to 3.80 million passengers reflected the significant investments that are underway in the state's resources sector. The rate of growth in intrastate markets slowed substantially in the second half of the year reflecting the impacts of weaker commodity prices, which contributed to the rationalisation of some gold and nickel mines, curtailment of some mining investment and a focus on cost control in much of the resource sector.

The fly-in, fly-out mode of resource sector workforce deployment continued to result in significant demand peaks in the early midweek mornings and in the evenings as returning regional aircraft coincide with domestic interstate and international aircraft arrivals.

In April 2013 Perth Airport introduced an airport-wide schedule coordination system to balance supply and demand for runway slots. This initiative contributed to a significant reduction in delays and congestion.

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

Further studies were completed during the year which confirmed that Perth Airport's third runway will be required before the end of the decade to meet the projected increase in aircraft movements. Design of the three runway airfield and its associated airspace has been substantially progressed. A final investment decision on the third runway, which depends on airline support, is expected to be taken within the next 12 months.

The comprehensive commercial agreements that we have with airlines, which apply until June 2018, are proving to be an entirely suitable basis upon which Perth Airport and airlines work cooperatively to improve airport services and to determine ongoing investments in airport improvement. Our company has been particularly appreciative of the support of the airlines that are working closely with us to implement the extensive infrastructure works that are underway and to plan for the next wave of investment.

OTHER AIRPORT SERVICES

Perth Airport recognises that hassle free and good value transport services and a great retail offering are important features of the overall airport and travel experience.

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

Our new terminal developments include greatly enhanced retail offerings, the first of which was delivered in our new Terminal 2. Transformation of our international retail offering has commenced; the first milestone is a new international arrivals duty free store which is expected to open in November 2013.

Over the next 18 months, 33 new retail outlets will be opened as part of our overall terminal redevelopments, and another nine are being refurbished.

Significant investments continued to be made during the year on expanded and improved car parking; there are now more than 17,000 car parking bays at Perth Airport.

Planning and design was also substantially progressed during the year toward development of multi-storey car parks and redevelopment of the Terminal 1 forecourt road system. We expect to proceed to construction of these new facilities within the next 12 months.

Towards the end of the year Main Roads WA awarded the main construction contract for the Gateway WA road project and construction commenced. Perth Airport has worked closely with Main Roads WA and the Federal Government during the past five years to see the largest road project in the state's history come to fruition. Together with Perth Airport's substantial on-airport road investments, Gateway WA will transform access to Perth Airport over the next two years.

Public transport servicing Perth Airport is extremely limited. The Western Australian Government's announced plan to proceed with a rail line through Perth Airport to Forrestfield was another pleasing development during the year. For the past three years Perth Airport has worked closely with the Public Transport Authority to ensure rail access is fully integrated into Perth Airport's development plans. We will continue to work closely with the State Government on this exciting project.

During the year we also continued to provide important property services to companies which rely on access to transport. Perth Airport's proximity to the city's main rail freight hub, the Kewdale industrial zone and the strong connections to the Port of Fremantle has seen Perth Airport become a preferred location for transport and logistics companies and those servicing the state's resource sector.
The co-location of these companies at Perth Airport with our airport infrastructure and the surrounding rail and road connections reflects logical and sustainable urban planning in this region of the city.

OUR PEOPLE AND SUSTAINABILITY

Perth Airport includes features of high environmental and Indigenous cultural significance and we devote significant effort to conserve these features and to manage the environmental impact of our operations. We also work closely with our tenants, assisting them with their environmental management.

We have sought to incorporate sustainable development initiatives into our new terminal designs. This has included development of a $13 million co-generation plant servicing our new Terminal 2 and the expanded Terminal 1. The co-generation plant is expected to reduce related greenhouse gas emissions by over 50% when compared to the alternative "off the grid" electricity supply.

The performance of the team of employees at Perth Airport during the year has been exceptional. They have delivered safe, reliable and improving airport services at a time of unprecedented demand, while delivering our extensive capital works program. Their competence, commitment and enthusiasm underpins our company's success.

MR DAVID CRAWFORD

(CHAIRMAN) BCOM (HONS), MA (POL SC)

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

MR ALAN DUNDAS

BE (HONS), FAUSIMM, GAICD

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

MR ALAN GOOD

FCA, BCOM

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

BOARD OF DIRECTORS

MR RICHARD HOSKINS

BCOM, LLB (HONS)

Mr Hoskins joined Hastings Funds Management Ltd in May 2006 and was appointed as a Non-Executive Director of Perth Airport at that time. Mr Hoskins is Chair of the Equity Investment Committee and from May 2013 became responsible for leading Hastings' equity asset management activities globally. Prior to this role, Richard was the Chief Executive Officer of the Utilities Trust of Australia. Prior to joining Hastings, Mr Hoskins worked with the law firm Mallesons Stephen Jaques for over 16 years, including as a Partner from 1 January 2000. He specialised in project and infrastructure finance and was one of Perth Airport's principal legal advisers.

MR LYNDON ROWE

B EC (HONS)

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

MR TOM SNOW

FAICD, MPHIL OXFORD UNIVERSITY; BCOM (ACTUARIAL), BSC

Mr Snow was appointed a Non-Executive Director of the Board in November 2012. He also leads investment activities of Access Capital Advisers in the Australasian region. Mr Snow is an experienced airports manager, having spent six years as the Executive Director of Canberra Airport where he oversaw the major redevelopment of the airport after privatisation. Formerly, Mr Snow had been a Rhodes Scholar and he was an actuarial consultant at Deloitte Actuaries. Mr Snow has also served as a director of Flinders Ports, Bankstown Airport, Peninsula Link, International Parking Group and Etihad Stadium.

BOARD OF DIRECTORS

MR COLIN ATKIN

MBA, GAICD

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

DR RAPHAEL ARNDT

BE (HONS) BCOM PHD

Dr Arndt joined the Board as a Non-Executive Director in May 2013. He has been Head of Infrastructure and Timberland at the Future Fund since 2007 with a particular focus on building and managing the Fund's investments in these areas. He joined from Hastings Funds Management where he was an Investment Director responsible for managing successful infrastructure and timberland portfolios as well as leading infrastructure and timberland transactions. Dr Arndt is currently a director of Gatwick Airport.

MS WENDY NORRIS

BAPPSC, GRADDIPMGT

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

EXECUTIVE TEAM

BRAD GEATCHES

CHIEF EXECUTIVE OFFICER

VICTOR HOWARD

CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY

TONY BRUN

EXECUTIVE GENERAL MANAGER
INTEGRATED PLANNING

PETER COCK

EXECUTIVE GENERAL MANAGER
CUSTOMER EXPERIENCE & OPERATIONS

BRIAN KRAUSE

EXECUTIVE GENERAL MANAGER
AVIATION BUSINESS DEVELOPMENT

FIONA LANDER

EXECUTIVE GENERAL MANAGER
CORPORATE AFFAIRS &
ORGANISATION DEVELOPMENT

SCOTT NORRIS

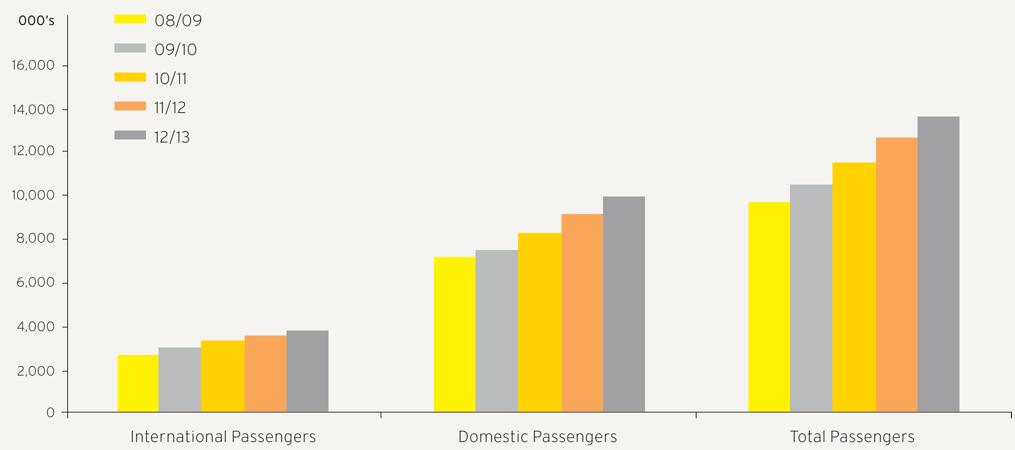
EXECUTIVE GENERAL MANAGER
COMMERCIAL SERVICES

GUY THOMPSON

EXECUTIVE GENERAL MANAGER
ASSETS AND CAPITAL WORKS

PASSENGER STATISTICS

FIVE YEAR COMPARISON FOR INTERNATIONAL AND DOMESTIC PASSENGERS

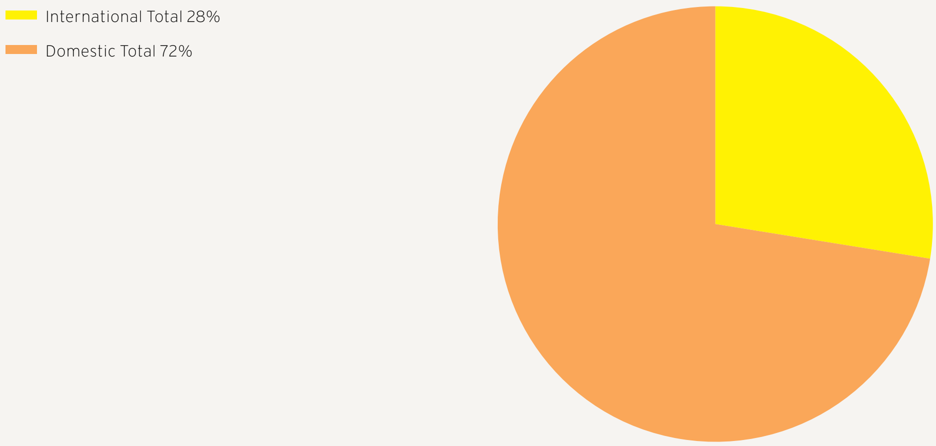


International Passengers		Change		Domestic Passengers		Change	
08/09	2,618,738	106,082	4.2%	08/09	7,116,335	449,837	6.7%
09/10	2,993,874	375,136	14.3%	09/10	7,470,097	353,762	5.0%
10/11	3,265,581	271,707	9.1%	10/11	8,185,872	715,775	9.6%
11/12	3,492,160	226,579	6.9%	11/12	9,140,640	954,768	11.7%
12/13	3,763,667	271,507	7.8%	12/13	9,900,727	760,087	8.3%

SOURCE PAPL

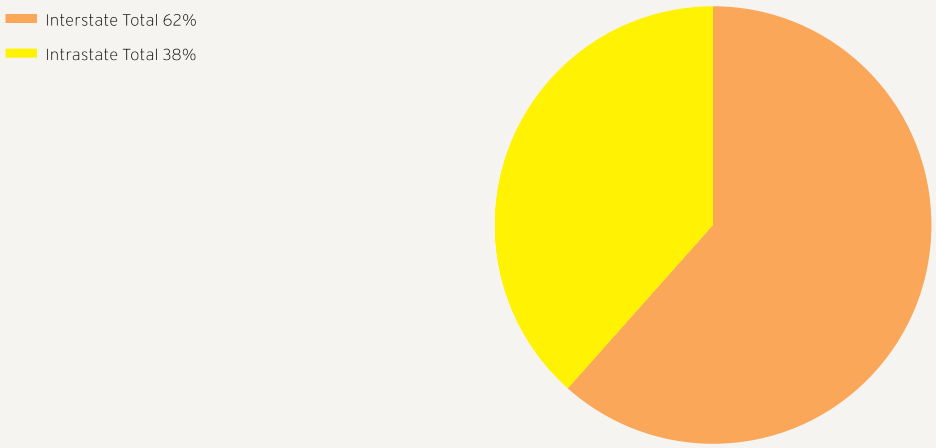
PASSENGER STATISTICS

TOTAL BREAK-UP IN DOMESTIC AND INTERNATIONAL PASSENGERS FOR PERTH AIRPORT FY 2012/13



SOURCE PAPL

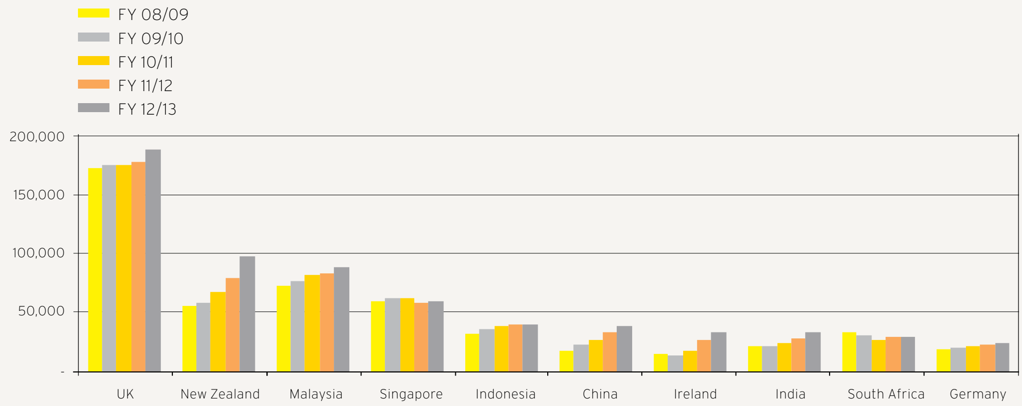
PROPORTION OF INTER AND INTRASTATE PASSENGERS FOR PERTH AIRPORT FY 2012/13



SOURCE PAPL

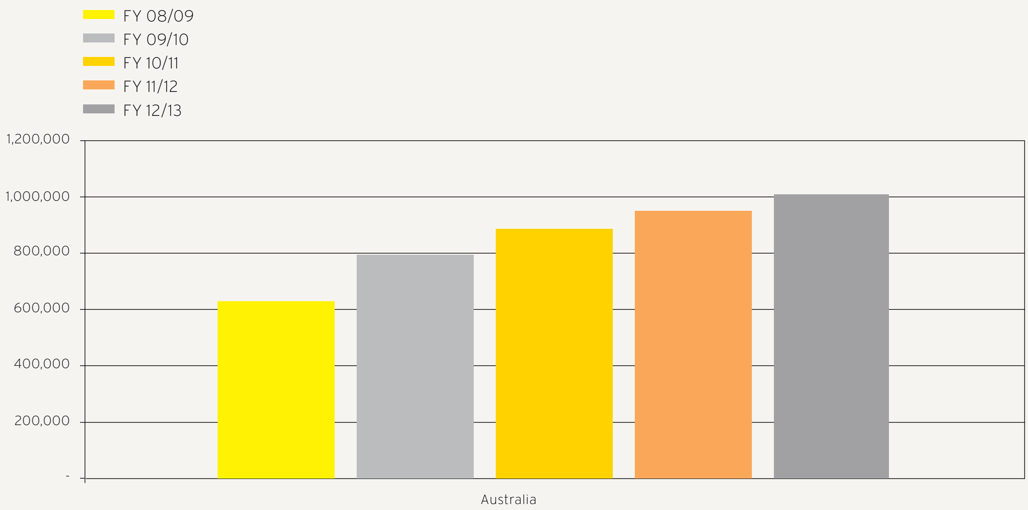
PASSENGER STATISTICS

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



SOURCE: DEPARTMENT OF IMMIGRATION AND CITIZENSHIP

FIVE YEAR COMPARISON FOR AUSTRALIAN NATIONALITY PASSENGER DEPARTURES FOR PERTH AIRPORT

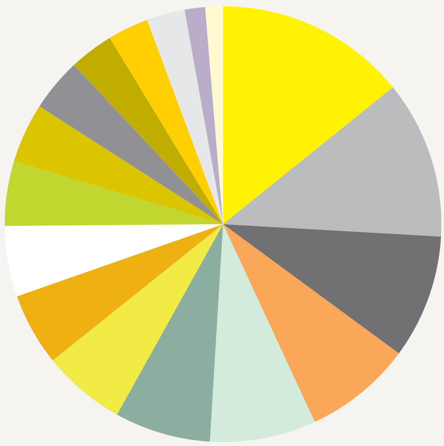


SOURCE: DEPARTMENT OF IMMIGRATION AND CITIZENSHIP

PASSENGER STATISTICS

TOTAL INTERNATIONAL PASSENGER ARRIVALS BY AIRLINE
FOR PERTH AIRPORT FOR 2012/13

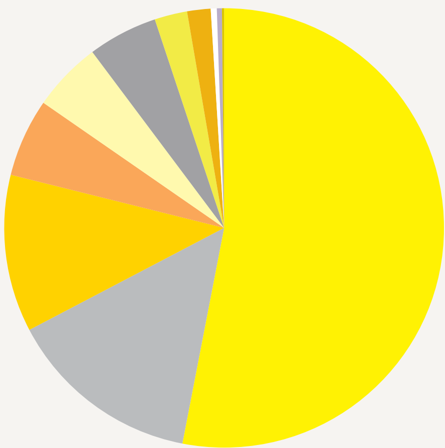
- Singapore Airlines 14%
- Emirates 12%
- Jetstar 9%
- Qantas Airways 8%
- Indonesia AirAsia 8%
- AirAsiaX 7%
- Malaysia Airlines 6%
- Garuda Indonesia 5%
- Cathay Pacific 5%
- Virgin Australia 5%
- Air New Zealand 4%
- Thai Airways International 4%
- South African Airways 3%
- Tigerair 3%
- Qatar Airways 3%
- China Southern 2%
- Air Mauritius 1%



SOURCE: DEPARTMENT OF IMMIGRATION AND CITIZENSHIP

TOTAL INTERNATIONAL PASSENGER ARRIVALS BY REGION OF NATIONALITY
FOR PERTH AIRPORT FOR 2012/13

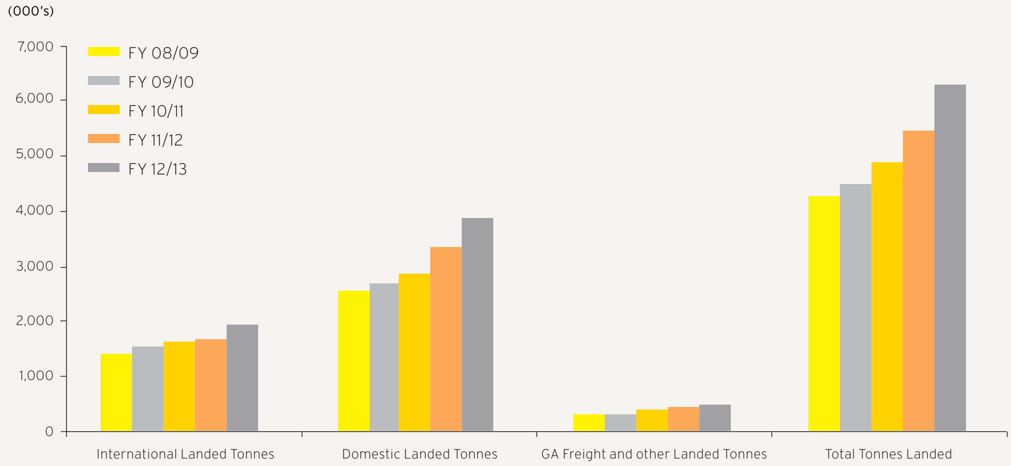
- Australia 53%
- South East Asia 14%
- UK and Ireland 12%
- Europe 6%
- New Zealand 5%
- North East Asia 5%
- Africa 2%
- North America 2%
- Middle East 0.4%
- South/Central America 0.4%
- Other 0.2%



SOURCE: DEPARTMENT OF IMMIGRATION AND CITIZENSHIP

AIRPORT OPERATING STATISTICS

FIVE YEAR COMPARISON FOR TOTAL LANDED TONNES

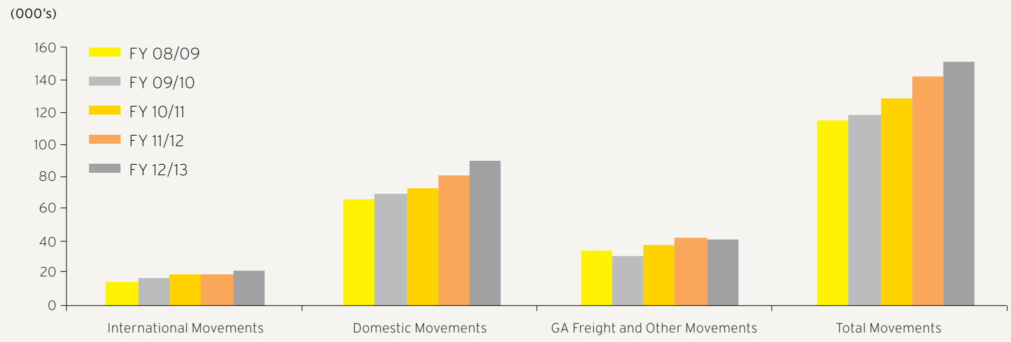


International Tonnes Landed		Change		Domestic Tonnes Landed		Change		GA Freight & other Tonnes Landed		Change	
08/09	1,391,623	116,970	9.2%	08/09	2,537,542	190,283	8.1%	08/09	320,664	-47,686	-12.9%
09/10	1,535,454	143,831	10.3%	09/10	2,652,494	114,951	4.5%	09/10	299,213	-21,451	-6.7%
10/11	1,618,953	83,499	5.4%	10/11	2,852,112	199,618	7.5%	10/11	383,517	84,304	28.2%
11/12	1,653,302	34,349	2.1%	11/12	3,330,467	478,355	16.8%	11/12	447,505	63,988	16.7%
12/13	1,944,243	290,941	17.6%	12/13	3,864,205	533,738	16.0%	12/13	476,007	28,502	6.4%

SOURCE PAPL

AIRPORT OPERATING STATISTICS

FIVE YEAR COMPARISON FOR TOTAL AIRPORT MOVEMENTS



International Movements		Change		Domestic Movements		Change		GA Freight & other Movements		Change	
08/09	14,717	1,810	14.0%	08/09	66,521	10,191	18.1%	08/09	34,092	-4,160	-10.9%
09/10	17,420	2,703	18.4%	09/10	69,420	2,899	4.4%	09/10	31,325	-2,767	-8.1%
10/11	18,902	1,482	8.5%	10/11	72,821	3,401	4.9%	10/11	37,343	6,018	19.2%
11/12	19,723	821	4.3%	11/12	80,554	7,733	10.6%	11/12	41,802	4,459	11.9%
12/13	21,167	1,444	7.3%	12/13	89,487	8,933	11.1%	12/13	40,677	-1,125	-2.7%

SOURCE PAPL

AIRLINE CAPACITY INTO PERTH FROM LAST PORT - TWO YEAR COMPARISON

PORT	AIRLINE	TOTAL 2012/13 SEATS	% CHANGE SEATS	TOTAL 2012/13 AVAILABLE FLIGHTS	% CHANGE FLIGHTS	TOTAL 2011/12 SEATS	TOTAL 2011/12 AVAILABLE FLIGHTS
AUCKLAND	AIR NEW ZEALAND	100,570	21.9%	347	-4.1%	82,469	362
BANGKOK / PHUKET	THAI AIRWAYS	106,007	2.1%	349	2.0%	103,852	342
BRUNEI	ROYAL BRUNEI	-	-100.0%	-	-100.0%	9,572	68
COCOS/ CHRISTMAS ISLAND	VIRGIN AUSTRALIA	25,476	-1.1%	204	-2.4%	25,768	209
DENPASAR	INDONESIA AIRASIA	196,380	-1.4%	1,091	-1.4%	199,260	1,107
	JETSTAR	137,583	35.9%	775	35.7%	101,268	571
	GARUDA	126,615	-28.3%	783	-27.5%	176,613	1,080
	VIRGIN AUSTRALIA	83,196	-8.3%	462	-8.3%	90,720	504
	AIR AUSTRALIA (STRATEGIC AIRLINES)	-	-100.0%	-	-100.0%	8,025	46
DOHA	QATAR AIRWAYS	82,198	100.0%	277	100.0%	-	-
DUBAI	EMIRATES	296,100	31.3%	921	25.3%	225,542	735
GUANGZHOU	CHINA SOUTHERN AIRLINES	42,830	45.6%	157	55.4%	29,412	101
HONG KONG	CATHAY PACIFIC	136,617	11.4%	515	11.7%	122,594	461
	QANTAS	32,570	-22.5%	110	-22.5%	42,002	142
JAKARTA	JETSTAR	21,912	-1.8%	122	-1.6%	22,304	124
	GARUDA	486	100.0%	3	100.0%	-	-
JOHANNESBURG	SOUTH AFRICAN AIRWAYS	94,732	14.0%	359	13.2%	83,102	317
KOTA KINABALU	MALAYSIA AIRLINES	4,688	-69.2%	29	-67.8%	15,241	90
KUALA LUMPUR	AIRASIA X	176,503	20.6%	461	20.7%	146,306	382
	MALAYSIA AIRLINES	149,345	2.0%	522	0.8%	146,443	518
MANILA	PHILIPPINE AIRLINES	2,496	100.0%	16	100.0%	-	-
MAURITIUS	AIR MAURITIUS	32,450	110.4%	118	110.7%	15,423	56
PHUKET	VIRGIN AUSTRALIA	44,820	20.9%	249	20.9%	37,080	206
SINGAPORE	SINGAPORE AIRLINES	364,414	27.8%	1,313	30.0%	285,107	1,010
	QANTAS	170,964	-16.8%	619	-11.7%	205,394	701
	JETSTAR	71,573	9.6%	398	9.6%	65,276	363
	TIGERAIR	68,760	5.3%	382	4.4%	65,324	366
TOTAL		2,569,285	11.5%	10,582	7.3%	2,304,097	9,861

FINANCIAL RESULTS SUMMARY

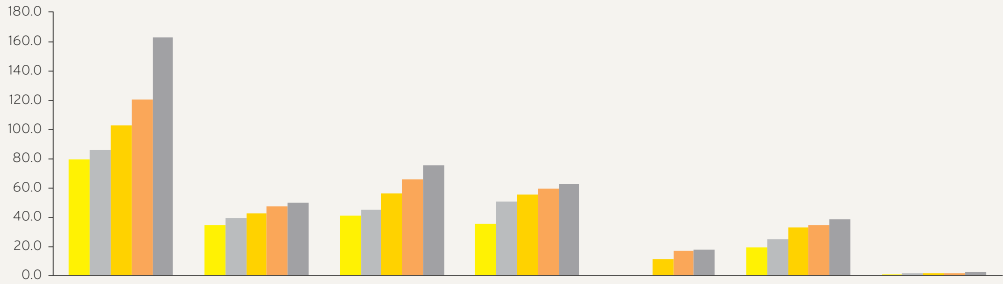
STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	ACTUAL 12/13 $M	ACTUAL 11/12 $M	ACTUAL 10/11 $M	ACTUAL 09/10 $M	ACTUAL 08/09 $M
Revenues from Continuing Operations Excluding Finance Revenue					
Aeronautical charges	162.5	120.0	102.5	85.9	79.1
Trading revenue	49.8	47.0	42.7	38.8	34.3
Ground transport services	75.4	65.9	55.6	44.7	40.8
Investment property rentals	62.4	59.4	55.0	50.4	35.1
Net gain from premium leasing	17.8	16.4	11.4	-	-
Recharge property service costs	38.0	34.0	32.4	25.1	19.5
Other	2.0	1.7	1.2	1.4	1.0
Total Revenues from Continuing Operations Excluding Finance Revenue	407.9	344.4	300.8	246.3	209.8
Other Income Excluding Finance Revenue					
Fair value adjustment to investment land and buildings	250.4	377.5	-4.7	1.3	-39.9
Total Other Income Excluding Finance Revenue	250.4	377.5	-4.7	1.3	-39.9
Operating Expenses					
Employee expenses	35.6	30.6	27.5	23.9	21.0
Services and utilities	74.5	64.7	58.1	47.4	40.8
General administration and other	20.0	16.5	14.2	12.0	13.0
Leasing and maintenance	7.9	6.3	5.2	4.9	4.5
Total Operating Expenses	138.0	118.1	105.0	88.2	79.3
EBITDA*	520.3	603.8	191.1	159.4	90.6
Finance Revenue					
Interest revenue	29.6	4.2	2.9	1.9	1.5
Total Finance Revenue	29.6	4.2	2.9	1.9	1.5
Non Operating Expenses					
Depreciation and amortisation	37.9	29.8	20.5	19.0	15.1
Interest expense					
- Senior debt	72.7	83.8	80.2	65.4	44.8
- Subordinated shareholder loan	16.1	10.7	11.7	8.7	7.8
- Other	0.8	0.8	1.0	1.6	0.9
- Other borrowing expenses	41.0	49.08	-	-	-
Total Non-Operating Expenses	168.5	174.2	113.4	94.7	68.6
Operating Profit/(Loss) Before Income Tax	381.4	433.8	80.7	66.6	23.5

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

FINANCIAL STATISTICS

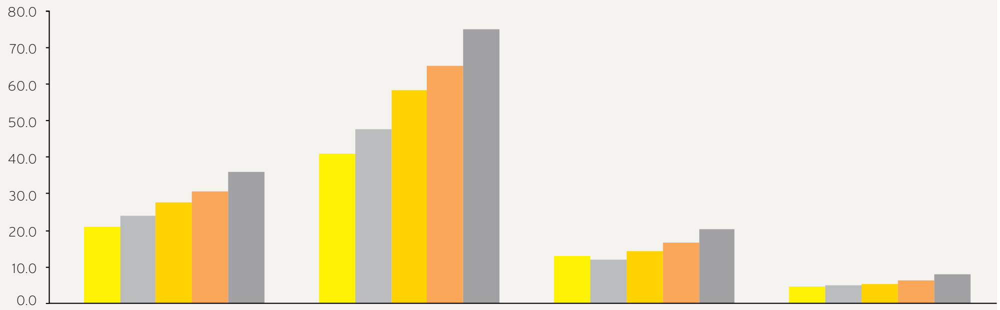
FIVE YEAR COMPARISON FOR OPERATING REVENUE



	Aeronautical	Trading	Ground Transport	Property	Premium Leasing	Recharge	Other
	79.1	34.3	40.8	35.1	0.0	19.5	1.0
	85.9	38.8	44.7	50.4	0.0	25.1	1.4
	102.5	42.7	55.6	55.0	11.4	32.4	1.2
	120.0	47.0	65.9	59.4	16.4	34.0	1.7
	162.5	49.8	75.4	62.4	17.8	38.0	2.0

SOURCE PAPL

FIVE YEAR COMPARISON FOR OPERATING EXPENSES



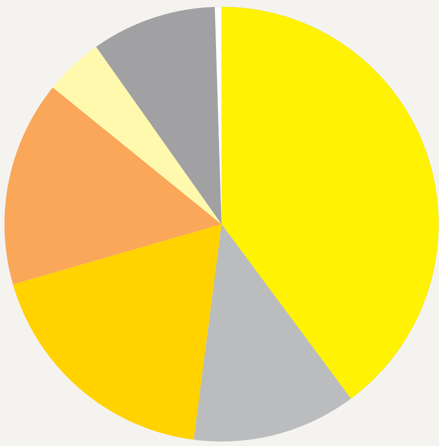
	Employee Expenses	Services & Utilities	General Administration	Maintenance
	21.0	40.8	13.0	4.5
	23.9	47.4	12.0	4.9
	27.5	58.1	14.2	5.2
	30.6	64.7	16.5	6.3
	35.6	74.5	20.0	7.9

SOURCE PAPL

FINANCIAL STATISTICS

OPERATING REVENUES FOR FY 2012/13

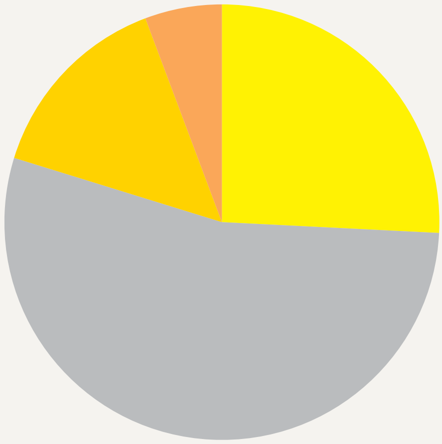
- Investment property rentals 15%
- Net gain premium leasing 4%
- Recharge property service costs 9%
- Other revenue 1%
- Aeronautical charges 40%
- Trading revenue 12%
- Ground transport services 19%



SOURCE PAPL

OPERATING EXPENSES FOR FY 2012/13

- Leasing and maintenance 6%
- Employee expenses 26%
- Services and utilities 54%
- General administration and other 14%



SOURCE PAPL

Perth Airport is home to more than 20 airlines which have a variety of aircraft in their fleets, providing connectivity across our state, Australia and to the rest of the world.

AVIATION DEVELOPMENT

HIGHLIGHTS

Fastest growing Australian capital city airport.

Strong economy continues to support aviation growth.

Increasing commercial aviation access and value for Western Australians.

OVERVIEW

Strong passenger growth continued in FY13. Total passengers grew by 8.2 per cent from 12.63 million to 13.66 million, and there was good growth in all three major market segments including international, interstate and regional.

Western Australia's strong economy, geographic isolation, fly-in, fly-out workforce and high proportion of foreign born residents (estimated to be 33 per cent) all contribute to a high propensity to use air travel. The Perth passenger base is very diverse, with people travelling for a range of reasons that include work, leisure, to visit friends and family, for education and to access essential services.

Importantly, Perth Airport is an integral part of the supply chain for many WA businesses.

INTERNATIONAL MARKETS

International passengers grew by 7.8 per cent in FY13, while seat capacity grew by 11.1 per cent. Perth Airport continues to work closely with Tourism Western Australia to attract new airlines and increase capacity from existing airlines.

FY13 was another successful year, with Perth Airport welcoming Qatar Airways' three per week services from Doha in July 2012, operations which were upgraded to daily in December 2012. Emirates increased from 14 services per week to 19 per week in December 2012 and then to triple daily in March 2013, while Singapore Airlines increased their commitment from three services per day to four from late October 2012.

The United Kingdom continued to be the single largest visitor market for Western Australia and, while visitor numbers from the United Kingdom and Germany grew modestly in FY13, there was double-digit growth in Irish, French and Italian nationality passengers through Perth Airport.

During the year, Qantas ceased its Perth-Hong Kong services. Cathay Pacific continues to serve the Hong Kong route 10 times weekly. The reduction in Qantas' Perth-Singapore services to daily was offset by additional frequencies from both Jetstar and Tigerair Singapore.

Other nationality groups with notable growth in FY13 include China and India, which both increased by 17 per cent, New Zealand by 23 per cent and the Philippines by 21%.

Air New Zealand boosted capacity on the Auckland–Perth route by 30 per cent when the airline upgraded from their 234-seat B767, to their 304-seat B777 aircraft from September 2012.

June 2013 marked Garuda Indonesia's return to the Perth-Jakarta route after a four year hiatus.

DOMESTIC - INTERSTATE MARKETS

Interstate traffic grew by 6.6 per cent in FY13, buoyed by increased capacity from the major airlines. Traffic to the major capital city airports of Melbourne, Sydney, Brisbane and Adelaide accounted for more than 90% of interstate passengers.

During the year both Qantas and Virgin Australia continued to expand their deployment of the A330 aircraft on services from Perth to Sydney, Melbourne and Brisbane, reflecting the clear customer preference for larger aircraft on the transcontinental routes. The competition between Qantas and Virgin Australia remains intense, resulting in more services, lower airfares and lower profitability for the airlines.

Tigerair Australia continued its double daily Perth-Melbourne services; Virgin Australia's recent acquisition of 60 per cent of Tigerair Australia is expected to enhance the airline's position in interstate markets.

Jetstar is an important participant in interstate markets, operating five routes from Perth and increasing its presence during the year. Jetstar announced suspension of its Perth-Gold Coast service in October 2013, after having been on the route for over two years.

DOMESTIC - INTRASTATE MARKETS

Two highlights in the regional market were the opening of Perth Airport's new $120 million Domestic Terminal 2 in March 2013 and the integration of Skywest Airlines into the Virgin Australia Group. In May 2013, Skywest was rebranded as Virgin Australia Regional Airlines (VARA) and, with Alliance Airlines, became the first airlines to operate from our new Domestic Terminal 2. Tigerair Australia relocated to the new terminal in May 2013.

From November 2012, the growth in intrastate passenger numbers started to significantly slow, reflecting changes to some resource company investments and operations in response to lower commodity prices. Also, in February 2013, Cyclone Rusty caused the shutdown of the Pilbara's main iron ore ports. Nevertheless, regional traffic still grew by an overall 11.1 per cent in FY13, however, growth had slowed markedly by the end of the year.

Karratha remains Perth Airport's largest regional market and fourth largest domestic market, with more than 750,000 annual passengers and averaging more than 10 flights per day.

In fact, there were more flights in the year to Karratha than there were to Brisbane. The five largest resource-related regional ports (Karratha, Port Hedland, Newman, Paraburdoo and Kalgoorlie) made up nearly 60% of the total regional market.

OUTLOOK

After more than eight years of strong growth, the rate of growth in most markets is expected to moderate during the next three years.

There is a strong correlation between demand for commercial aviation services and Western Australian economic conditions. Being an outward facing economy, Western Australia's economy is, in turn, sensitive to the economic conditions of our key trading partners.

The outlook for the Western Australian economy remains favourable, reflecting the continuing demand for our export products and services, including resources, agriculture, tourism and education services.

International airline routes from Perth Airport, as at 30 June 2013.

Perth Airport's privately funded $750 million redevelopment is significantly underway, and will completely transform the customer experience.

HIGHLIGHTS

New Domestic Terminal opened 2 March 2013.

International Arrivals Phase 1 expansion nearing completion.

Terminal 1 Domestic Pier and International Departures transformation under construction.

Upgrades to Terminal 3 continuing.

During the year Perth Airport fully committed to its privately funded $750 million program with all projects in the first stage of redevelopment now either completed or under construction. Intense construction zones are progressively paving the way for transformed terminals, exciting new retail offers and greatly improved transport services.

NEW DOMESTIC TERMINAL 2

The first component of our redevelopment – the new Domestic Terminal 2 – was completed in less than 18 months and commenced operations on 2 March 2013.

This was the first of our major projects to be completed. While the terminal can comfortably cater for interstate services, it was designed to also meet the particular operating needs of the the resource sector's fly-in, fly-out mode of workforce deployment. The opening of Terminal 2 represented a major step forward in providing reliable and high quality services for resource companies and their employees.

Terminal 2 is a single level terminal with extensive enclosed walkways out to 14 aircraft parking positions connected to the terminal, and a further 22 positions nearby. This configuration supports the requirement for large numbers of aircraft to depart in a two hour window during mid-week early mornings. The terminal design has greatly improved aircraft turnaround times and reduced the amount of aircraft towing.

The location of Terminal 2 next to the current International Terminal 1 has improved the travel experience for many people travelling to and from regional Western Australia, as they are now able to connect from and to international services in one convenient location.

Terminal 2 includes innovative environmental features such as:

- Rainwater harvesting and re-use for toilets and gardens, with 2000 cubic metres of underground storage capacity.
- Underground ducting of ventilation for air-conditioning to reduce energy use.
- A sophisticated building management system to reduce energy consumption during operations.
- A co-generation power plant, which is expected to reduce greenhouse gas emissions by more than 50%.

INTERNATIONAL ARRIVALS

The second major project is the $80 million expansion and transformation of the International Arrivals area. The existing terminal building has been extended nearly 60 metres to the east to create a new area for Immigration services on level one, which is twice the size of the current space on the ground floor. Also in the new building extension is a new duty free store for arriving passengers, which is much larger and with a greatly expanded range on offer. Immigration's relocation to the new area at the end of October 2013 will enable the existing ground floor space to be remodelled and, when combined with the extended terminal area on the ground floor, the baggage reclaim and Biosecurity (Quarantine) areas will also double in size.

DOMESTIC PIER AND INTERNATIONAL DEPARTURES

The third major project, taking shape on the western end of the International Terminal, is the $300 million Domestic Pier and expansion of the International Departures area. This is the largest of our transformation projects and is scheduled for completion in late 2014.

FY13 saw an extensive package of forward works carried out to enable construction to commence, including:

- Services relocation, including power, water and gas.
- Construction of a new combined logistics facility.
- Road works to realign Horrie Miller Drive, incorporating a new taxi and bus area.
- Construction of a network of taxiways and additional aprons.

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

The expanded International Departures area will significantly enhance the international travel experience for passengers by delivering an additional 16 check-in counters, two A380-capable aircraft gates, four aerobridges, three airline lounges and expanded retail offerings.

Work also commenced on the $45 million upgrade of the international landside Departures Area at Terminal 1, which includes a new retail and dining area and new outbound passport control and security screening areas, incorporating new technology and a greatly improved traveller experience. One of the security lanes will be dedicated to families and people needing assistance and has been designed to meet their specific needs.

The single storey $120 million Domestic Terminal 2 incorporates many environmental features, and offers customers an expansive landscaped forecourt to enjoy.

TERMINAL 3

Perth Airport is also investing in the further development of Terminal 3. Upgrade works in FY13 included:

- Replacing the existing carpet with terrazzo tiles in the check-in and baggage claim areas to create a lighter, more contemporary space.
- Expanded baggage reclaim belts to reduce waiting times for arriving passengers.

Further works scheduled for next year include:

- Remodelling and enhancing the security screening area to facilitate a quick passage to level 1 via new escalators.
- Expanding the departures and retail areas.
- Adding one new aerobridge.

AIRFIELD AND AIRSPACE

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

The demand for aircraft parking and departures and arrivals at Perth has grown rapidly in the past three years, while the rate of growth slowed markedly in the second half of the year. The following airfield investments were completed:

- Taxiway surfacing and lighting renewals of Taxiways Papa, November, Bravo and Sierra.
- Reconstruction and resurfacing of Taxiway Whiskey from Runway 03/21 to Taxiway Romeo.
- Construction of Taxiway C6 which forms part of a new cross airfield taxiway system.
- Reconfiguration of the Terminal 3 apron to accommodate three Code C contact positions.
- Construction of a new Terminal 1 standoff apron for two Code F aircraft positions and adjacent taxilane.
- Construction of new 700 Bays for wide-bodied aircraft and adjacent taxilane.
- New Taxiway Romeo standoff apron (12 limited Code C aircraft).
- Realignment of Taxiway Tango and the associated modifications to Taxiways Charlie and Papa.
- Realignment of Taxiway Bravo and reconstruction of Taxiway Whiskey.

The program of airfield works is continuing with the following projects under construction or expected to commence next year:

- Renewal of electrical reticulation system and supply within the airfield.
- Rehabilitation and overlay of Runway 06/24 from Node 06 to Taxiway Sierra.
- A new wide-bodied apron to accommodate the new Domestic Pier adjacent to Terminal 1.
- Upgrade of the 900 taxilane for Code E access to Runway 06 and new bussing positions on the 900 bays.
- Upgrade of the Terminal 4 apron taxilane to accommodate an alternate Code E aircraft position.
- Extension of Taxiway Charlie to the main runway threshold, including the first stage of a new support

apron taxi lane for the consolidated precinct.

- Preparation of the airfield, including installation of blast pavement fillets for routine A380 operations.

OUTLOOK

Perth Airport's plan is to consolidate all domestic and international air services into the one precinct (the current international precinct), which will ensure superior service and greater convenience for customers. By the end of our current phase of development in 18 months time, Qantas Group domestic airlines will be the only airlines operating in the current domestic precinct, where they will be offering greatly improved services from Perth Airport's Terminal 3 and the Qantas Terminal (Terminal 4).

We have invested heavily in business and infrastructure planning to ensure we manage the development in a structured and disciplined way, and we have a clear vision of the consolidated airport precinct and the benefits it will deliver to our customers.

Upgrades continue at the multi-user Domestic Terminal 3.


ATM

Major changes are taking place at International Terminal 1 to meet the ongoing demand for international aviation services.

HIGHLIGHTS

- New international outbound Immigration and security screening area.
- Terminal Master Planning review completed.
- Road access improvements and upgrades, including Gateway WA.
- Master Plan 2014 process commenced.
- Development Area 6 planning undertaken with the City of Belmont.

TERMINAL MASTER PLANNING

Our Terminal Master Planning review was completed during the year, from which the development strategy for the International Terminal 1 has been confirmed.

The preferred option for future international expansion is a new midfield terminal facility, with a spacious departures area surrounded by 14 wide-bodied aircraft bays. It will include a significantly expanded and improved retail and food and beverage offer, and direct and easy access for all passengers to their gates and to the retail offer. This new facility is expected to be built in stages and is likely to provide sufficient international capacity until 2040. Feasibility planning and design work will now proceed in close consultation with international airlines to ensure that the proposed new facility meets their long term needs.

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

IMPROVED ROAD ACCESS

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

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

Additionally, we have reached agreement with Main Roads WA to partially fund a new junction on Tonkin Highway leading into the Terminal 3 and 4 domestic precinct, which will allow the closure of Brearley Avenue when works are completed. This is currently programmed for 2016.

Agreements were entered into between Perth Airport, Main Roads WA and the Commonwealth Department of Infrastructure and Transport to enable the Gateway WA works to proceed.

PERTH AIRPORT RAIL LINK

Perth Airport welcomed the announcement by the State Government that it plans to proceed with a new rail line to Forrestfield that extends through Perth Airport.

We have been working closely with the Public Transport Authority to identify the route of the rail line and the preferred locations for the two stations to be located on the airport estate. This work will continue next year, to ensure that the station design integrates with the existing and planned airport infrastructure and that the impact on operations during construction is minimised.

MULTI-STOREY CAR PARK

The relocation of Virgin Australia's domestic operation into the new pier at Terminal 1 in late 2014 will significantly increase the demand for short term parking, rental cars and other ground transport operations in proximity to the terminal.

Planning and design has been substantially progressed for the first multi-storey car park at Perth Airport, construction of which is expected to commence within two years.

Planning and delivery of our high quality long term car parking continued during the year. The highest demand for car parking is for longer term stays, reflecting that both domestic and international travellers are most often leaving Perth for five or more days. Our at-grade, long term car parking, serviced by a high quality ten minute bus to the terminal door has proven to be highly popular.

GROUND TRANSPORT PLAN

Perth Airport has a Ground Transport Master Plan that ensures we are able to provide suitable access throughout the period during which domestic airlines are progressively relocated into the consolidated precinct. This Plan integrates road layouts, car parking and all ground transport solutions necessary for the ultimate development of the precinct, ensuring that passenger needs are met at each stage.

AIRFIELD CAPACITY AND THIRD RUNWAY

Perth Airport has a unique and sometimes challenging demand profile which reflects the nature of the resource sector's fly-in fly-out mode of workforce deployment. There has been significant growth in aircraft movements on mid-week days to meet the burgeoning resource sector's needs and the indirect domestic interstate and international traffic that has also been stimulated. In the space of five years, we have seen rapid growth in demand on our airfield infrastructure and the surrounding airspace.

Perth Airport continues to invest in airfield infrastructure with works on the runways, taxiways and aprons. We have constructed a new aircraft parking position every month for the past eight years and more than 165 aircraft park at Perth Airport every night.

This is most evident in the morning departures and the afternoon arrivals peak periods. Engagement with airlines and large resource companies has indicated that the resource companies, in the main, are not able to adjust their overall operational settings to support further spreading of the aircraft schedules beyond what has occurred to date.

In FY13, we continued to work with Airservices Australia and airlines to implement recommendations of the Airport Capacity Enhancement (ACE) project to increase the efficiency of the existing airfield and airspace. It is anticipated that implementation of these recommendations will result in capacity increases of between five and 15 per cent, however, opportunities to increase departures performance in the mid-week morning peaks are limited.

There is no single planning methodology that can be applied to determine precisely when an additional runway is required at a large airport. A range of methodologies, and the views of airlines and their customers, have to be incorporated into decision making. During the year, there appeared to be an emerging consensus among aviation industry participants that the third runway is required at Perth Airport within the next five years.

Significant resources continue to be applied to complete feasibility and concept planning for a third runway, which is to run parallel to the main runway (03/21) and be located to the east of Horrie Miller Drive. Such a significant piece of infrastructure requires extensive planning and consideration of issues such as:

- Redesigning airspace for the Perth metropolitan area.
- Impact on airlines and their passengers (flight paths, taxiing distances and time and cost).
- Impact on roads that currently link the airport to the east.
- Expansion and integration of taxiway systems.
- Runway lighting, high intensity approach lighting and other navigation aids design.
- Assessing environmental impacts.

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

MASTER PLANNING

The *Airports Act 1996* requires Perth Airport to have a Master Plan in place outlining the future planning direction for the airport over the next 20 year period. The Master Plan's purposes include:

- Establishing the strategic direction for the efficient and economic development of the airport.
- Indicating to the public and governments the intended uses of the airport.
- Assessing potential conflicts and ensure compatibility with the areas surrounding the airport.
- Ensuring all airport operations are undertaken in accordance with relevant environmental legislation and standards.

The Act requires that a Master Plan be completed every five years, with Perth Airport's last Master Plan was approved in 2009.

During the year we commenced work on the 2014 Master Plan, including technical studies and the development of a Concept of Operations for the third runway. The 2014 Master Plan is due to be submitted to the Commonwealth Minister for Transport and Infrastructure by no later than 2 November 2014. This will see a draft of the Master Plan released for the important public comment process in mid-2014.

DEVELOPMENT AREA 6

To further enhance our relationship with our neighbours, we have embarked on a joint planning study with the City of Belmont to consider opportunities that have arisen from the decision to progressively relocate large scale domestic aviation operations from the existing domestic precinct into the consolidated precinct, as well as infrastructure projects, most notably Gateway WA and the Forrestfield-Airport rail link.

The Development Area 6 project focusses on approximately 174 hectares of land, of which more than 100 hectares is land under Perth Airport's jurisdiction. The area is bounded by Tonkin Highway, Great Eastern Highway, Coolgardie Avenue, Redcliffe Road, Fauntleroy Avenue and Precinct 1A and 1B of airport land. The development of the vision for this area and its implementation strategy has involved extensive community consultation.

This Development Area 6 project represents a significant step by Perth Airport and the City of Belmont to identify the best possible urban development plans that consider the land, supporting infrastructure and the needs of the community in an integrated way.

GROUND TRANSPORT

HIGHLIGHTS

Terminal 1 and 2 precinct parking expansion:
- 1,637 new long term parking bays.
- 70 bay Park & Wait facility.

972 refurbished staff parking bays (Terminal 3 and 4 domestic precinct).

268 new parking bays in the General Aviation precinct.

Improved way-finding signage, including dynamic car parking bay availability.

In FY13, further enhancements were made to our ground transport services. We continue to invest in this area to meet changing customer trends, such as increased leisure travel by Western Australian residents and the number of fly-in, fly-out workers for whom air travel is an integral part of their employment.

Revenue from ground transport increased by 14 per cent to $75.4 million, mainly due to passenger growth, increased car parking capacity and ongoing promotional activities driving demand for our popular long term parking product.

CAR PARKING

Perth Airport now has more than 17,000 car parking bays for passengers, visitors and staff.

We have undertaken significant work to provide sufficient capacity for all transport options, while improving customer service across the airport. Passenger growth, new and improved parking facilities and ongoing promotional activities have driven an increase in car park usage, especially for multi-day long term parking.

In FY13, capacity expansion focused on the Terminal 1 and 2 precinct in preparation for the commencement of operations from the new Domestic Terminal 2. There were 1,637 new long term car parking bays constructed in this precinct.

In addition, 268 new bays were delivered in the General Aviation precinct.

All new or refurbished car parking bays are built to a high standard that provides customers with safe, well lit and designed parking areas and are serviced by a regular, free shuttle service to the terminals.

The service standard is being positively received by customers and the product is popular with people on coast-to-coast business trips, family holidays and for fly-in, fly-out workers.

To assist with parking convenience, new way-finding signage, including dynamic car parking bay availability signage, was delivered in the Terminal 3 and 4 precinct.

PARK & WAIT

A new 70 bay Park & Wait facility was delivered in the Terminal 1 and 2 precinct, complementing the facility available in the Terminal 3 and 4 precinct. Park & Wait offers a convenient and safe option for motorists to wait with their vehicles for up to 90 minutes before collecting passengers from the front of terminals. Use of Park & Wait is via a gold coin entry payment, with profits donated to children's charities including the Princess Margaret Hospital Foundation and Youth Focus. The Park & Wait facilities are part of our efforts to curb the illegal and dangerous practice of parking on the side of busy roads, such as Brearley Avenue.

CAR RENTAL

In FY13, expansion and refurbishment of in-terminal facilities for our car rental partners were progressively delivered and will continue next year, to improve the level of customer service provided for customers.

TAXIS AND BUSES

To continue to meet the needs of customers, investments are being made to deliver new and improved facilities for taxis and buses, including provision of high quality bus and taxi ranks for the new Terminal 2. At Terminals 3 and 4, a peak hour taxi rank will be opened and taxi holding facilities will be expanded and refurbished to improve customer service during times of peak taxi demand.

OUTLOOK

Investment in transport services will continue, particularly during the next 12 to 18 months, as Perth Airport continues to accommodate growth and improve the customer service we provide.
Investments include:

- Terminal 1 and 2 precinct:
  - long term Park & Ride expansion.
  - dedicated staff car park.
  - multi-storey car park feasibility, design and development.
- Terminal 3 and 4 precinct:
  - refurbishment and expansion of taxi facilities.
  - expansion of Long Term Car Park B.
- Car park access enhancements, including online car parking reservations, and improved payment technology.


T3
Zone
D

The CONNECT bus provides customers with free and efficient transport to and from the car parks and terminals.

HIGHLIGHTS

New Duty Free concession awarded.

Tender for 10 new specialty & food and beverage outlets in the Domestic Pier.

Significant retail planning for the new International Departures area.

Six new stores, automatic teller machines, payphones & internet access in the new Domestic Terminal 2.

Three new stores opened in International Arrivals area.

One redeveloped store in Domestic Terminal 3.

Digital advertising formats rolled out.

RETAIL

Retail revenue increased by six per cent to $50.2 million reflecting continued passenger growth, full year trading of new concessions and renegotiated contracts.

Our retail focus has been on the delivery of new outlets, as well planning for future terminal developments. The redevelopment of Perth Airport sets the stage for a new level of customer experience, including more choice and great value.

Brand new retail outlets in Domestic Terminal 2 and the International Arrivals area opened in FY13 as part of the new terminal developments.

As part of the advertising concession, APN has continued to invest across the airport, installing large format external digital billboards and digital screens within the terminals.

MULTI-USER DOMESTIC TERMINAL (T3)

Since the completion of the Terminal 3 upgrade in FY12, Red Rooster, Sumo Salad and Hudsons Coffee continue to prove popular with customers and staff. Dome café underwent a major redevelopment to provide a wider menu choice and faster service through expanded kitchen capabilities, a new express order point and expansion of the alfresco dining area.

NEW DOMESTIC TERMINAL (T2)

The new Domestic Terminal 2 opened in March 2013 with four food and beverage outlets and two specialty stores with a focus on good breakfast offers, convenience and entertainment categories for both arriving and departing passengers. Food and beverage brands in Terminal 2 include Hudsons Coffee, Subway, The Coffee Club and Four Alls Brewhouse featuring iconic 'Little Creatures' products. Branded specialty stores, Hub Convenience and Relay, feature an in-store technology concept branded 'tech2go'. Free internet and a variety of Automatic Teller Machine (ATM) brands provide choice and convenience for customers and staff.

INTERNATIONAL TERMINAL (T1)

With the expiry of the major duty free contract in 2013, a competitive process to select a new duty free operator concluded in FY13 and a new contract was awarded to James Richardson Pty Ltd (JR Duty Free). Three new stores will be opened by the new retailer in December 2013.

New convenience, telecommunications and foreign exchange outlets opened in the public arrivals area in FY13, providing new products for customers.

Design commenced on the new International Arrivals duty free and foreign exchange stores.
In November 2013, a brand new walk-through duty free store, double the size of the existing store, will open, along with new foreign exchange outlets.

Terminal 2 offers customers a range of retail, food and beverage options. The departures area is spacious and customers can enjoy a coffee, drink or light meal before their flight.

HIGHLIGHTS

Increased commercial, industrial and aeronautical related activity.

"5 Star Green Star" office building under construction.

Construction of a 9,000m^2 office building due to commence.

Over 12 hectares of land transactions.

Fully leased property portfolio.

OVERVIEW

There is land within the extensive airport estate that can sensibly be brought into productive use for industries that have synergies with aviation. Experience to date confirms that the airport is a logical location for transport dependent logistics companies to locate, reflecting that:

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

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

Perth Airport remains engaged with the market and existing tenants to design and construct industrial, office and aeronautical facilities to further develop the airport estate.

Over 12 hectares of the airport's land was released to the market in FY13, providing land to facilitate industrial development within Perth's eastern corridor.

During the year we were pleased to enter into an agreement with Byrnecut Mining to develop a 9,000m^2 "4 Star Green Star" A-grade office building in the hkew Office Park, the largest single office project developed to date. A Major Development Plan approval has been obtained from the Commonwealth Minister for Infrastructure and Transport, and construction will commence next year.

Nearing completion is a 4,000m^2 "5 Star Green Star" A-grade office building being developed for Rio Tinto as part of their growing office campus at the airport.

Upon completion of these two office projects, the hkew Office Park will be approximately 30,000m^2.

Aviation activity and progress towards a fully consolidated aviation precinct is driving demand for airline lounges in the terminals, engineering and office space, as well as for support facilities such as hangars, freight and catering facilities. Sub-division planning has been completed to facilitate the development of hangar and freight facilities in close proximity to the consolidated precinct.

There are more than 120 property tenants across the estate who have chosen this location to maximise the transport logistics benefits Perth Airport has to offer.

HIGHLIGHTS

- Establishment of a dedicated Customer Experience team.
- Analysis of customer feedback to inform improvements to the customer experience.
- Customer service standard being fully defined for all customer touch points to inform design and operations.
- Implementation of the Schedule Coordination System.
- Continued implementation of Airport Capacity Enhancement (ACE) project recommendations.
- Implementation of Standard Arrival Approach Speeds (STAAS) in conjunction with Airservices Australia.
- Construction of dual entry points to Runway 21, improving threshold and departure management.
- Significant investments made in airfield infrastructure.

CUSTOMER EXPERIENCE

Customer service is critical to our success, and we are committed to transforming the customer experience at Perth Airport. To do this, we need to have a complete understanding of the views and experiences of our customers. Data from the Airports Council International's Airports Service Quality Monitoring Program, which is undertaken each quarter at Perth Airport, is an important source of feedback to support improvement.

In FY13, we established our dedicated Customer Experience team whose role is to embed a customer focused approach in all that we do at Perth Airport, including developing customer service standards for customer touch point throughout the airport.

Customer service standards are informing our new terminals and other infrastructure design and we are confident that the new facilities we are progressively opening will provide a relaxed and hassle free airport experience.

OPERATIONAL CAPABILITY

In FY13, a Schedule Coordination System was introduced to more effectively balance aircraft movement demand and capacity. Since its introduction in April 2013, Schedule Coordination has delivered an average reduction in delay for both arrivals and departures of approximately 60 per cent. The central control of airline schedules also provides a valuable database which is being used to improve operational planning across all aspects of the customer journey.

Recommendations of the Airport Capacity Enhancement (ACE) project continued to be implemented during the year, with Perth Airport continuing to engage effectively with Airservices Australia and airlines.

As part of the ACE project, Standard Arrival Approach Speeds (STAAS) were implemented by Airservices Australia, which are delivering more consistent Air Traffic Control delivery rates and improved arrival and departure sequencing.

We are continuing to improve our operational capability with planned initiatives including:

- Proactive use of schedule coordination data to inform infrastructure design and operational improvement.
- Establishing the Flight Operations Performance Committee to monitor slot and airfield performance and to provide feedback to stakeholders.
- Continuing to implement the Airport Capacity Enhancement project's strategic plan and associated capacity initiatives.

Perth Airport's Gold Coat volunteer program is going from strength to strength, involving more than 60 volunteers who welcome customers to our terminals and assist in making their journey more enjoyable.

HIGHLIGHTS

Successful implementation of enhanced Commonwealth Government passenger screening requirements, including the introduction of Body Scanners.

Further enhancements to continuous surveillance capacity in all areas of the airport estate.

Further deployment of new generation technology.

Further testing, trial and improvement of the Perth Airport Emergency Management Framework and introduction of an enhanced Perth Airport Emergency Management Training Program.

In FY13, Perth Airport continued its successful implementation of a range of new technology and processes to enhance security. We introduced new generation passenger screening technology, including body scanners, multi-view x-ray machines and bottled liquid scanners for international passengers.

During the year, we also awarded a new security services contract, with an increased focus on innovation and customer experience.

We also undertook a number of projects to further enhance our emergency response arrangements, including:

- A full review of Perth Airport's incident and emergency response procedures.
- Changes to our emergency training system.
- Implementation of a new online Emergency Management Awareness module for use by Perth Airport staff, external stakeholders and response agencies.
- Improvements to emergency response infrastructure including a new staging area at Gate 6 and a new Forward Command Vehicle.

Public safety and the integrity of aviation services are of paramount importance at Perth Airport.

HIGHLIGHTS

More than 45,000 provenance seedlings planted.

Completion of the Kwenda Marlark wetland.

Continued successful implementation of controls such as water quality monitor and tenant auditing.

Participation of more than 500 students from 17 local schools in the annual School Planting Program.

The Perth Airport estate is 2,105 hectares in size, and incorporates three conservation precincts totalling 336 hectares. Conservation areas comprise a diverse range of vegetation communities and landforms, including significant wetlands. They provide habitat for a wide range of fauna and include species of rare flora and fauna.

Protection and enhancement of biodiversity within the conservation precincts is a key component of environmental management at Perth Airport. Annual revegetation of degraded vegetation and maintenance of vulnerable areas is undertaken to restore, maintain and improve natural ecosystem functionality. In FY13, approximately 45,000 provenance seedlings (plants grown from seed collected on the airport estate) were planted in our conservation precincts.

A milestone was reached with the completion of the establishment of the Kwenda Marlark wetland. This was the culmination of almost 10 years of work to transform the area from an abandoned sand quarry to a functional ecosystem. The final restoration involved the planting of 4,500 sedges endemic to WA as part of the annual School Planting program, involving more than 500 students from 17 local schools. The contribution of schools involved in the program has been vital to the wetlands development activities over the years.

In FY13, we continued our program of surface and ground water monitoring. The quarterly monitoring program provides information on water quality and flows into wetlands and across the estate's drainage network. Results obtained during the year were consistent with historical data, indicating that water quality exiting the airport estate is equal or better to that entering from urban catchments.

ENVIRONMENT

We continued to monitor the environmental impacts of all tenants on the airport estate. Tenants are required to demonstrate a high level of environmental performance through the development of Operational Environmental Management Plans (OEMPs). All tenants, other than those with negligible environmental risk, are required to develop and operate in accordance with an OEMP approved by Perth Airport and these are subject to regular compliance monitoring audits.

The design of the new Domestic Terminal 2 also incorporates a range of exciting sustainability features.

Perth Airport publishes an extensive public Annual Environment Report that is available at our website.

OUTLOOK

We will continue to seek opportunities to operate in an ecologically sustainable manner, and targets for FY14 include:

- Planting of 50,000 provenance seedlings within conservation precincts.
- Finalisation of the Conservation Precinct Management Plan.
- Continuing engagement with Aboriginal groups, to develop an Aboriginal Cultural Management Plan.

Perth Airport's commitment to the environment can be seen across the estate, and the Kwenda Marlark walk trail provides an excellent opportunity for the public to enjoy native flora and fauna.

Free to the public, the viewing area on Dunreath Drive is as close as you will get to watching aircraft arrivals and departures without boarding a plane.

HIGHLIGHTS

Funding support provided to more than 40 community groups and schools.

Strong community engagement and consultation through a range of forums.

Strong support for the tourism sector.

Recognition of Indigenous heritage.

OVERVIEW

Perth Airport plays an important role in the lives of many Western Australians, and is one of the state's most important public transport infrastructure assets. The vast distances separating population centres within our State and beyond means that aviation services play a significant role in the state's economic, social and cultural activities.

We take our role as a corporate citizen seriously; our relationship with the Western Australian community is an essential part of our company values.

We are committed to building strong and lasting relationships, working with local communities to build active working partnerships and contributing to a wide range of activities, supporting organisations, families and groups.

COMMUNITY SUPPORT

In FY13, we continued to support community events through our Community Partnership Program, which sets out a framework to provide guidance to applicants seeking funding for initiatives focusing on the priority areas of Youth and Education; Community and Culture; and Environment. In FY13, Perth Airport was proud to support the following groups:

AHA Hospitality Supplier Awards	Forrestfield Primary School
Ardross Primary School	Governor Stirling Senior High School
Bassendean Primary School	Guildford Heritage Festival Council
Belmay Primary School	Guildford Primary School
Belmont Primary School	HBF City to Surf
Brain Foundation of Australia	Lions Club
Camp Quality	Meerilinga Young Children's Foundation
Cancer Council WA	Mission Australia
Carlisle Primary School	Ngala Family Services
Caversham Primary School	Outcare
Chamber of Commerce and Industry WA	Princess Margaret Hospital Foundation
City of Belmont	RAC Bike Hike
Constable Care Child Safety Awards	Swan Chamber of Commerce
Customs Brokers & Forwarders Council Australia	Swan Districts Baseball Club
Cystic Fibrosis	St Vinnies' CEO Sleepout
Darling Range Sports College	Telethon
Department for Child Protection	Telethon Adventurers
Dry July	WA Chinese Chamber of Commerce
East Metropolitan Regional Council	WA Indoor Netball
East Victoria Park Primary School	Youth Affairs Council of WA
Foodbank	Youth Focus

INDIGENOUS CULTURE

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

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

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

- Regular meetings between parties to the Agreement to discuss issues related to airport development, conservation management and ongoing support for cultural awareness activities.
- Sponsorship of two Aboriginal Art categories in the City of Belmont Art Awards.
- Sponsorship of the Indigenous Small Business Category in the Belmont Business Awards.
- Engagement of a representative from the WA Department of Environment and Conservation to provide Aboriginal awareness activities for the 400 students participating in Perth Airport's annual School Planting Program.
- NAIDOC Week celebrations including an art exhibition in International Terminal 1, celebratory morning tea, a guided tour of Munday Swamp and distribution of information brochures to customers and staff in International Terminal 1, Domestic Terminals 2 and 3.
- Procurement of an artwork by an emerging Indigenous artist, to join our Indigenous art collection.
- Presentation of Indigenous Scholarships to the value of $5,000 per year for students undertaking full-time studies at Edith Cowan University.

STAKEHOLDER ENGAGEMENT

We appreciated the opportunity to participate in meetings of the Perth Airports' Municipalities Group, which brings together representatives of 12 local government authorities in regions whose residents have an interest in Perth's metropolitan airports. This Group has provided valuable insight into the views of local residents, as well as assisting to keep local government informed of airport developments. In FY13, member councils of the PAMG were:

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

As part of the Commonwealth Government's Aviation White Paper, all capital city leased airports are required to establish and maintain a Planning Coordination Forum. The Forum aims to foster high level strategic discussions between the airport and Commonwealth, State and Local Government representatives to promote better planning outcomes in relation to airport developments, in the context of the broader urban setting. Attendees of the Perth Airport Planning Coordination Forum in FY13 included:

City of Armadale
Chamber of Minerals and Energy WA
City of Belmont
City of Swan
Department of Infrastructure and Transport (Commonwealth)
Department of Planning (WA)
Department of Transport (WA)
Main Roads WA
Public Transport Authority
Shire of Kalamunda

Another recommendation of the Aviation White Paper was the establishment of Community Aviation Consultation Groups. Now in its second year, Ms Elizabeth Taylor continued in her role as the independent chairperson. The Group administratively reports to the Perth Airports' Municipalities Group with a common secretariat, and meetings are held three to four times each year. The terms of reference for the Perth Airport Community Aviation Consultation Group are to work collaboratively to recognise and enhance:

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

Perth Airport supports a range of community activities throughout the year, including Book Week at Clayton View Primary School.

The membership of the Community Aviation Consultation Group continues to evolve over time, and in FY13 included:

Community Groups & Local Government
The Guildford Association
Nature Reserves Preservation Group Inc
City of Bayswater
City of Belmont
Shire of Kalamunda
Shire of Mundaring
City of Swan
Industry
Tourism Council WA
Airline Operators
Qantas Airways Ltd
Virgin Australia
Commonwealth Government
Member for Perth
Member for Swan
Member for Hasluck
Member for Pearce (Observer)
State Government
Main Roads WA
Department of Planning
Department of Transport
Airport Operator
Perth Airport Pty Ltd
Advisors
Department of Infrastructure and Transport (Commonwealth)
Airservices Australia

AIRCRAFT NOISE

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

Since 1999, Perth Airport has chaired the Aircraft Noise Management Consultative Committee (ANMCC), a group which includes representatives from Local, State and Commonwealth Governments, Members of Parliament, airlines and community groups. Initially, the purpose of the ANMCC was to contribute to developing a noise management strategy for Perth Airport, however, this has now evolved into a monitoring role. More recently, the ANMCC has been complemented by the establishment of the Community Aviation Consultation Group. In FY13, membership of the ANMCC included:

Airport Operator	**Commonwealth Government**
Perth Airport Pty Ltd	Airservices Australia
Community	Department of Infrastructure and Transport
Bellevue Action Group	Member for Hasluck
The Guildford Association	Member for Perth
Cannington Community Representative	Member for Swan
Local Government	**State Government**
City of Bayswater	Department of Environment and Conservation
City of Belmont	Department of Planning
City of Canning	Department of Transport
City of Gosnells	**Airline Operators**
Shire of Kalamunda	Qantas Airways Ltd
Shire of Mundaring	Virgin Australia
City of South Perth	
City of Swan	

During FY13, we worked with industry to investigate and implement noise improvement initiatives. Significant progress was made to improve the information available to the community on aircraft noise, via Perth Airport's website. This will be rolled out as part of the Master Plan 2014 consultation process next year, as well as implementation of a noise reporting tool.

We also contributed to the development of Airservices Australia's web portal for key aircraft noise management information, common to all airports and noise affected communities across Australia. As part of its environmental reporting requirements, Airservices Australia continues to operate the Noise and Flight Path Monitoring System (NFPMS) at major Australian airports. The system collects noise and flight path data 24 hours a day, seven days a week via monitors located in communities. The Perth component of the NFPMS includes five permanent monitors located at Cannington, Queens Park, Greenmount, Guildford and Lathlain.

Additionally, Airservices Australia conducted monitoring in communities of particular interest or from which complaints have increased. In FY13, short term monitoring reports were released for Manning, Roleystone, Riverton and Willetton.

Throughout the year, Airservices Australia continued to work closely with the industry to identify opportunities to improve aircraft noise management, such as changes in flight paths or new approach procedures. In recent years, Airservices Australia conducted a trial which saw a new flight route which allowed additional aircraft to make use of the Royal Australian Air Force (RAAF) airspace, when the area is not required for their use. In January 2013, Airservices Australia released a Post Implementation Review Report that concluded the trialled path was a success and should be implemented permanently. Further, the review recommended that the new flight path be used for all hours outside the activation of RAAF restricted areas, with further review planned in 12 months' time. This recommendation is now subject to environmental assessment and community consultation.

A further noise improvement opportunity investigated by Airservices Australia was the potential for the arrival path over Roleystone for landing on Runway 03/21 to be redirected east. Airservices Australia's initial investigation has shown that this change is possible, with limited impact on the airport and operators. Consultation about this opportunity has commenced, with a view to trialling it next year.

Airservices Australia explored the option of making changes to northbound aircraft departures and the associated impacts on the western suburbs. However, following extensive review of options, the investigation found that although the initial safety assessment was positive, there was little evidence to suggest a sufficient noise benefit would be gained to offset the impact on efficiency. Airservices Australia will not be pursuing this proposal further.

The Aircraft Noise Ombudsman released a report titled "Full Length Departures – Potential Noise Benefits (Perth)" in October 2012. The report provided a detailed analysis of data comparing full length runway departures, with departures from an intersection. The report concluded that there is no significant difference in noise for Perth residents when full length departures are used by jet aircraft, and that there is no justification for additional investigation at this time.

In FY13, the aviation industry continued to explore new procedures such as implementing Continuous Descent Approaches and the potential use of Required Navigation Performance at Perth Airport.

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

SUPPORTING TOURISM

In recognition of our role as the gateway to Western Australia, our close association and support of the tourism industry continued throughout the year. We took the opportunity to further reinforce our support of the tourism industry by becoming the naming rights sponsor of the 2012 Perth Airport Western Australian Tourism Awards, which are delivered by Tourism Council WA.

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

PERTH AIRPORT FINANCIALS

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the consolidated annual report of Perth Airport Pty Ltd for the financial year ended 30 June 2013 and the auditor's report therein.

The consolidated annual report of Perth Airport Pty Ltd comprises the financial reports of Perth Airport Pty Ltd ("the Company" or "PAPL") and its subsidiary Perth Airport Investments Pty Ltd, which form the consolidated entity ("the Group" or "consolidated entity"). The consolidated financial report complies with International Financial Reporting Standards as disclosed in note 1(b)(ii).

DIRECTORS

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

Mr David Crawford (Chairman)

Mr Alan Good

Mr Alan Dundas

Mr Ronald Doubikin – resigned 3 July 2013

Mr Lyndon Rowe

Mr Richard Hoskins

Mr Jeffrey Pollock – resigned 15 April 2013

Mr Tom Snow – appointed 28 November 2012

Ms Alexandra Campbell (alternate director to Mr Pollock) appointed on 20 September 2011 and resigned 15 April 2013

Ms Suzanne Findlay (alternate director to Mr Rowe)

Mr Michael Weaver (alternate director to Mr Snow) - appointed 28 November 2012

Dr Raphael Arndt – appointed 29 May 2013

Ms Wendy Norris – appointed 3 July 2013

Mr Colin Atkin – appointed 31 July 2013

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

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 $267,405,000 (2012: $309,746,000).

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 2013:

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

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

SHARE OPTIONS

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

ABORIGINAL HERITAGE REGULATION

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

- *Aboriginal Heritage Act 1972 (State)*

ENVIRONMENTAL REGULATION

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

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

1. AIRPORT ENVIRONMENT STRATEGY

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

2. ENVIRONMENT REPORTING

An Annual Environment Report was submitted to the Department of Infrastructure, Transport, Regional Development and Local Government in October 2012 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 and Conservation in September 2012.

3. LAND DEVELOPMENT APPROVALS

All development approvals initiated in the 2012/13 year complied with the *Airports Act 1996*, the *Airports (Environment Protection) Regulations 1997*, the *Environment Protection and Biodiversity Conservation Act 1999* and the *Aboriginal Heritage Act 1972*.

4. ENVIRONMENTAL PROTECTION

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

5. DANGEROUS GOODS

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

6. INCIDENTS

PAPL recorded a number of environmental incidents occurring at Perth Airport during the 2012/2013 year, none of which were assessed as having serious consequences and/or long term impact on the environment. Details may be found in the Annual Environmental Report.

7. NON-COMPLIANCE NOTICES / PROSECUTIONS

The Board receives regular reports on compliance with environmental requirements.

SECURITY MANAGEMENT

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

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

OCCUPATIONAL, SAFETY AND HEALTH MANAGEMENT

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

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

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

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

RISK MANAGEMENT

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

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

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

- Board approval of a strategic plan, which encompasses the Group's vision and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of Key Performance Indicators of both a financial and non-financial nature.
- The establishment of sub-committees to report on specific business risks including, for example, such matters as environmental issues, occupational health and safety and financial risks.

NON-AUDIT SERVICES

During the year, the Company's auditor Ernst & Young performed certain other services in addition to their statutory duties. This is outlined in note 6 and forms part of the Directors' Report for the year ended 30 June 2013.

ROUNDING OFF

The Company is an entity of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company held 100% of the ordinary shares in Perth Airport Investments Pty Ltd. Perth Airport Investments Pty Ltd was incorporated in Australia and did not trade and held no assets or liabilities. Accordingly, the Directors were of the opinion that the investment be valued at a nil cost (2012: nil). On 16 July 2012, an application was made to ASIC to deregister Perth Airport Investments Pty Ltd. Perth Airport Investments Pty Ltd was officially deregistered by ASIC on 11 March 2013.

There were other 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 86 and forms part of the Directors' Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors' Report has been prepared on the basis that the Company can continue to meet its commitments as and when they fall due, and can therefore realise assets and settle liabilities in the ordinary course of business.

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

Signed in accordance with a resolution of the Directors on 25 September 2013.

David Crawford

PERTH, WESTERN AUSTRALIA. 25 SEPTEMBER 2013

David Crawford CHAIRMAN

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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 2013, 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

25 September 2013

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

THE BOARD OF DIRECTORS

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

- *Corporations Act (Cth) 2001*
- Company's Constitution
- Shareholder's Agreement
- ASX Corporate Governance Principles and Recommendations with 2010 Amendments
- The Australian Institute of Company Directors – Code of Conduct for Directors

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

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

The role of the Board is to provide overall strategic guidance for the Company and effective oversight of management. The Board must ensure that the activities of the Company comply with its Constitution and the Shareholder's Agreement, from which the Board derives its authority to act, and with all legal and regulatory requirements.

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

The responsibilities and functions of the Board include:

- In relation to the position of Chief Executive Officer (CEO) - appointing, evaluating performance, setting remuneration and succession planning.
- In relation to Key Management Personnel - reviewing procedures for appointment, monitoring performance, setting remuneration and succession planning.
- Input into, and final approval of, corporate strategy, including setting performance objectives and approving business plans and budgets.

- Reviewing and guiding systems of risk management, internal control, ethical practice and legal compliance.
- Monitoring both corporate performance and implementation of strategies and policies.
- Approving major capital expenditure, leases, acquisitions, divestitures and monitoring capital management.
- Ensuring suitability and integrity of financial and other reporting.
- Ensuring suitability of policies and processes in important areas, including occupational safety and health, environment and legal compliance.
- Enhancing and protecting the reputation of the Company.

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

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

Matters which are specifically reserved for the Board include:

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

COMPOSITION OF THE BOARD

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

- the Board should be comprised of a majority of non-executive directors;
- in recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman should be a non-executive director;
- the Board should comprise directors with an appropriate range of qualifications and expertise;

and

- the Board shall meet in accordance with the terms of the Shareholder's Agreement and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

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

1. Audit and Risk Committee;
2. Remuneration and Appointments Committee; and
3. Pricing and Financing Committee.

Terms of Reference for each Committee have been adopted by the Board. The Terms of Reference of Committees and their membership are reviewed annually by the Board by virtue of the annual review of the Board Charter.

Committees do not have power to make decisions or pass resolutions on behalf of the Board. Committees consider matters, report to the Board and where necessary either make recommendations to the Board or endorse management recommendations to the Board.

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

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

1. AUDIT & RISK COMMITTEE

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

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

The following Directors are members of the ARC:

- Mr Alan Dundas (Chairman)
- Mr Jeff Pollock - resigned 15 April 2013
- Mr Alan Good

Matters that the ARC specifically addresses are as follows:

RISK MANAGEMENT

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

AUDIT

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

2. REMUNERATION & APPOINTMENTS COMMITTEE

The Board of Directors has established a Remuneration & Appointments Committee to provide additional oversight of the Company's approach to remuneration, executive appointment and succession planning.

The Remuneration & Appointments Committee comprises a minimum of three Directors nominated by the Board. Two members of the Committee must be present to constitute a quorum.

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

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

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

Matters that the Remuneration & Appointments Committee specifically addresses are:

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

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

The PAPL Board approved Director's Remuneration Scheme provides for payment of Directors' Fees to Directors appointed by shareholders in proportion to the respective shareholding of each shareholder in the parent entity Perth Airport Development Group Pty Ltd.

Directors that are independent are remunerated directly by the Company. During the year $1,057,000 (2012: $1,109,000) of Directors' Fees was paid to Directors of PAPL.

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

3. PRICING & FINANCING COMMITTEE

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

The following Directors are members of the Pricing & Financing Committee:

- Mr David Crawford (Chairman)
- Mr Richard Hoskins
- Mr Ronald Doubikin –resigned 3 July 2013
- Mr Jeff Pollock resigned 15 April 2013

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

Matters that the PFC specifically addresses are:

- Aeronautical price negotiations.
- Pricing of ground transport products, particularly car parking.
- Retail concessions/agreements that, under delegations of authority, require Board approval.
- Property leases agreements, including premium leases.
- Investment hurdle rates/return expectations.
- Approach to project financial evaluation.
- Capital structure.
- Financing strategy.

CAPITAL MANAGEMENT POLICY AND TREASURY POLICY

Consistent with its objective of maintaining a capital structure and debt coverage levels that are in line with an established investment grade rated Company, the Board has adopted a prudent approach to financial risk management through the development and approval of a Capital Management Policy and a Treasury Policy. These policies are aimed at promoting greater financial discipline in areas of shareholders distributions, leverage, hedging, liquidity, funding of capital expenditure, debt maturity, refinancing and compliance with senior debt covenants.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013	NOTES	CONSOLIDATED 2013 $'000	2012 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	**47,658**	75,002
Trade and other receivables	9	**44,543**	49,704
Prepayments	10	**1,510**	1,351
Other financial assets	11	**7,116**	5,404
Income tax receivable	30(v)	**-**	7,115
Total Current Assets		**100,827**	138,576
Non-Current Assets			
Capitalised lease	13	**54,112**	33,209
Investment property	14	**981,848**	755,282
Infrastructure, plant and equipment	15	**803,604**	608,702
Goodwill	16	**443,598**	443,598
Other intangible assets	16	**6,336**	7,826
Derivative financial instruments	22	**5,828**	-
Total Non-Current Assets		**2,295,326**	1,848,617
Total Assets		**2,396,153**	1,987,193
LIABILITIES			
Current Liabilities			
Trade and other payables	17	**44,373**	41,045
Provisions	18	**5,291**	4,609
Deferred revenue	21	**1,474**	1,822
Income tax payable	30(v)	**2,479**	-
Interest-bearing loans & borrowings	19	**99,939**	-
Total Current Liabilities		**153,556**	47,476
Non-Current Liabilities			
Interest-bearing loans & borrowings	19	**1,213,110**	1,162,241
Provisions	20	**508**	355
Deferred revenue	21	**20,895**	27,038
Derivative financial instruments	22	**58,426**	63,222
Deferred tax liabilities	23	**287,481**	214,966
Total Non-Current Liabilities		**1,580,420**	1,467,822
Total Liabilities		**1,733,976**	1,515,298
Net Assets		**662,177**	471,895
EQUITY			
Contributed equity	24	**161,865**	161,865
Reserves		**(45,352)**	(50,229)
Retained earnings		**545,664**	360,259
Total Equity		**662,177**	471,895

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 2013		CONSOLIDATED	
	NOTES	2013 $'000	2012 $'000
Profit or loss			
Revenue from continuing operations	2(a)	**407,936**	344,388
Change in fair value of investment property	2(c)	**250,406**	377,468
Operating expenses	3(a)	**(138,042)**	(118,045)
Earnings before interest, depreciation and amortisation		**520,300**	603,811
Finance revenue	2(b)	**29,608**	4,257
Finance expenses	3(b)	**(130,596)**	(144,414)
Depreciation	3(c)	**(36,100)**	(27,677)
Amortisation	3(d)	**(1,809)**	(2,120)
Profit from continuing operations before income tax		**381,403**	433,857
Income tax expense	5	**(113,998)**	(124,111)
Profit from continuing operations after income tax		**267,405**	309,746
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net movement of cash flow hedges	4	**6,967**	(44,984)
Income tax on items that may be reclassified to profit or loss	5	**(2,090)**	13,495
Other comprehensive income for the year, net of tax		**4,877**	(31,489)
Total comprehensive income for the year, net of tax, attributable to the owners of the parent		**272,282**	278,257

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	CONSOLIDATED CONTRIBUTED EQUITY $'000	ASSET REVALUATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 30 June 2011		**153,465**	**362**	**(19,102)**	**112,515**	**247,240**
Profit for the period		-	-	-	309,746	309,746
Other comprehensive income		-	-	(31,489)	-	(31,489)
Total comprehensive income for the year		-	-	**(31,489)**	**309,746**	**278,257**
Transactions with owners in their capacity as owners:						
Ordinary shares issued	24	8,400	-	-	-	8,400
Dividends paid	7	-	-	-	(62,002)	(62,002)
Balance at 30 June 2012		**161,865**	**362**	**(50,591)**	**360,259**	**471,895**
Profit for the period		-	-	-	267,405	267,405
Other comprehensive income		-	-	4,877	-	4,877
Total comprehensive income for the year		-	-	**4,877**	**267,405**	**272,282**
Transactions with owners in their capacity as owners:						
Ordinary shares issued	24	-	-	-	-	-
Dividends paid	7	-	-	-	(82,000)	(82,000)
Balance at 30 June 2013		**161,865**	**362**	**(45,714)**	**545,664**	**662,177**

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 2013	NOTES	CONSOLIDATED 2013 $'000	2012 $'000
Cash flows from operating activities			
Cash receipts from customers		**422,059**	325,057
Cash paid to suppliers and employees		**(139,039)**	(103,239)
Interest received		**16,973**	4,184
Income tax paid		**(33,978)**	(12,628)
Net cash flows from operating activities	28	**266,015**	213,374
Cash flows from investing activities			
Purchase of intangibles	16	**(319)**	(91)
Proceeds from sale of infrastructure, plant and equipment		**158**	13
Purchase of investment property, infrastructure, plant and equipment		**(243,013)**	(164,695)
Net cash flows used in investing activities		**(243,174)**	(164,773)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	24	**-**	8,400
Proceeds from borrowings - subordinated shareholder loan	19(xi)	**-**	75,600
Proceeds from borrowings – syndicated facility agreement 1		**-**	315,000
Proceeds from borrowings – syndicated facility agreement 2		**150,000**	300,000
Proceeds from borrowings – syndicated facility agreement 3		**-**	88,500
Proceeds from borrowings – USPP - Series A		**48,530**	-
Proceeds from borrowings – USPP - Series B		**77,647**	-
Proceeds from borrowings – USPP - Series C		**135,883**	-
Proceeds from borrowings – USPP - Series D		**30,000**	-
Repayment of borrowings – capital expenditure – 3 year facility		**-**	(36,645)
Repayment of borrowings – capital expenditure – 5 year facility		**-**	(21,855)
Repayment of borrowings – other secured facility		**-**	(120,000)
Repayment of borrowings - Syndicated facility tranche 1		**-**	(269,000)
Repayment of borrowings - Syndicated facility tranche 2		**(236,500)**	(156,000)
Repayment of borrowings - Syndicated facility tranche 3		**(88,500)**	-
Dividends paid	7	**(82,000)**	(62,002)
Interest paid – interest rate swap reset costs	24(b)(i)	**-**	(58,060)
Interest paid		**(85,245)**	(93,916)
Net cash flows (used in) / from financing activities		**(50,185)**	(29,978)
Net (decrease) / increase in cash and cash equivalents		**(27,344)**	18,623
Cash and cash equivalents at beginning of financial year		**75,002**	56,379
Cash and cash equivalents at the end of financial year	8	**47,658**	75,002

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

1. SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

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

Perth Airport Pty Ltd ("PAPL") is a proprietary company limited by shares which is incorporated and domiciled in Australia. The consolidated financial statements of PAPL as at and for the year ended 30 June 2013 comprise of Perth Airport Pty Ltd ("the Company") and its subsidiary Perth Airport Investments Pty Ltd (formerly known as WAC Investments Pty Ltd, with the company named changed on 4 October 2011), which form the consolidated entity ("the Group" or "consolidated entity").

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

(B) BASIS OF PREPARATION

(i) Going Concern

The financial report has been prepared on the basis that the Group can continue to meet its commitments as and when they fall due, and can therefore realise assets and settle liabilities in the ordinary course of business.

(ii) Statement of compliance

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

The financial report for the Group was authorised for issue in accordance with a resolution of the Directors on 25 September 2013.

(iii) Basis of measurement

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

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

(iv) Functional and presentation currency

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

PAPL is an entity of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with the Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, equity, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management that have a significant effect on the Financial Report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(u).

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

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

(C) BASIS OF CONSOLIDATION

(i) Subsidiaries

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

Investments in subsidiaries are carried at cost in the separate financial statements of the parent entity less any impairment charges. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

(ii) Transactions eliminated on consolidation

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

(D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

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

(i) Fair value hedge

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Cash flow hedge

The Group uses interest rate swaps as hedges of its exposure to variable rate interest risk.

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are classified and designated upon initial recognition as financial liabilities measured at fair value through profit and loss, with subsequent changes in fair value being recognised immediately in the profit and loss and included within finance expenses.

(iv) Current versus non-current classification

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

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

(E) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(i) Financial assets

(i.i) Initial recognition and measurement

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

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

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

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

(i.ii) Subsequent measurement

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

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

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

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

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

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

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

(i.iv) Cash and cash equivalents

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

(i.v) Trade and other receivables

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

(i.vi) Derecognition of financial assets

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

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

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

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

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

(i.vii) Impairment of financial assets

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Financial liabilities

(ii.i) Initial recognition and measurement

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

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

(ii.ii) Subsequent measurement

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

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

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

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

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

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

(ii.iv) Trade and other payables

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

(ii.v) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on a straight line basis. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the origination of the interest-bearing loan and borrowings.

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

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

(ii.vi) Other

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

(ii.vii) Financial guarantee contracts

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

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

(ii.viii) Derecognition

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii.ix) Offsetting of financial instruments

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

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

(F) INVESTMENT PROPERTY

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

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently measured at fair value at each balance date with any gains or losses arising from a change in fair value recognised in the profit and loss. Investment properties are not depreciated for accounting purposes. All investment properties are located in Australia.

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

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Company will treat any difference at the date of transfer between the carrying amount and its fair value as a revaluation. Any revaluation increase is recognised in other comprehensive income by increasing the asset revaluation reserve within equity. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as infrastructure, plant and equipment during the redevelopment.

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

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

(i) Fair Value

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

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

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

(G) INFRASTRUCTURE, PLANT AND EQUIPMENT

(i) Recognition and measurement

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. All other computer software is recognised as an intangible asset.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of infrastructure, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably.

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

(iii) Depreciation and Amortisation

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

Depreciation and amortisation rates used are as follows:

	2013	2012
Plant and Equipment	**5.00 - 33.00%**	5.00 - 33.00%
Buildings	**1.01 - 15.00%**	1.01 - 15.00%
Fixed Plant and Equipment	**5.00 - 15.00%**	5.00 - 15.00%
Runways, Taxiways and Aprons	**1.01 - 6.67%**	1.01 - 6.67%
Other Infrastructure Assets	**2.50 - 20.00%**	2.50 - 20.00%

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

(iv) Leasehold Improvements

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

(v) Major Repairs and Maintenance

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

(vi) Non-Current Assets under Construction

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

(vii) Reclassification to investment property

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

(viii) Reclassification from investment property

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

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value as per the latest independent valuation that has been recognised in the financial accounts.

(ix) Leased assets

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

(x) De-recognition and Disposal

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) INVENTORIES

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

(I) ASSETS HELD FOR SALE

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

(J) INTANGIBLES

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

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Internally generated intangible assets, excluding capitalised development costs, are not capitalised with all expenditure, including expenditure on internally generated goodwill and brands, being recognised in the profit and loss when incurred.

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

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

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

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

All intangible assets are located in Australia.

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Contractual Intangible Assets and Capitalised Master Plan Costs

Contractual intangible assets are assessed to have a finite life and accordingly are amortised over the period of the lease or expiry of the licence where applicable.

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

(iii) Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

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

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, other than investment property, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 30 June) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU to which the goodwill relates. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

Intangible assets

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

(L) PROVISIONS

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

The expense relating to any provision is presented in the income statement net of any reimbursement. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(i) Onerous contracts

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

(M) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and rebates, but excluding taxes or duty. Revenue is recognised in the profit and loss when the significant risks, rewards of ownership and effective control has been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return, or there is continuing managerial involvement to the degree usually

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(ii) Trading revenue comprises concessionaire rent and other fees received from retail operations.

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

(iv) Property revenue comprises rental income from owned terminals and buildings, and long-term leases of land and other leased assets. Rental income from operating leases of investment 1. Property is recognised in the profit and loss on a straight-line basis over the term of the lease. Rental income not received at reporting date, is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance. Contingent rents are recognised as revenue in the period in which they are earned.

Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income. Lease escalation clauses are recognised on a straight-line basis over the life of the lease.

Lease incentives granted by the Group to lessees, and rental guarantees which may be received from third parties (arising on the acquisition of investment property) are excluded from the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight line basis, or a basis which is representative of the pattern of benefits.

Premium leasing transactions are where PAPL as sub-lessor, disposes of investment land by entering into a finance lease. The substance and financial reality of a premium lease transaction is that the buyer (sub-lessee), even though not acquiring legal title to the land, will acquire the economic benefits of the use of the leased land for the major part of its economic life, and in return will pay a fair value amount at the inception of the lease to PAPL as compensation for the right to lease the asset. Premium lease revenue is recognised upon unconditional execution of a premium lease as this is when the significant risks and rewards have been transferred to the sub-lessee.

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

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

(N) DEFERRED REVENUE

Rentals received in advance for investment properties leased to tenants under long term operating leases are credited to a deferred revenue account and released to the profit and loss on a straight line basis over the lease term.

Rentals received in advance for investment properties leased to tenants under long term finance leases are recognised upfront in the period when all attaching conditions pursuant to the sale transaction have been satisfied.

(O) FINANCE INCOME AND EXPENSES

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

Finance expenses comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss that do not qualify for hedge accounting, and impairment losses recognised on financial assets.

All borrowing costs, expect capitalised borrowing costs as outlined in note 1(e)(ii.v) are recognised in profit and loss using the effective interest method.

(P) EMPLOYEE BENEFITS

(i) Defined contribution superannuation funds

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

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

(ii) Short-term benefits

Liabilities for employee benefits of wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Long-term service benefits

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

(Q) LEASE PAYMENTS

(i) Capitalised Lease – Operational Land

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

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

(ii) Operating leases

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

(iii) Finance leases

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

(R) INCOME TAXES

(i) PAPL

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

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

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

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

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

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

(ii) Tax Consolidation

Airstralia Development Group Pty Ltd changed its company name to Perth Airport Development Group Pty Ltd ("PADG") on 4 October 2011. PADG is the head entity of the tax-consolidated group which comprises of PADG and its 100% owned Australian resident subsidiaries consisting of PAPL and Perth Airport Investments Pty Ltd. The implementation date of the tax consolidated system for the tax consolidated group was 1 July 2003.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(iii) Goods and Services Tax

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

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

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

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

(S) LEASES

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

(i) Finance Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

(ii) Operating Leases

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

(T) CONTRIBUTED EQUITY

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

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

(U) DETERMINATION OF FAIR VALUES AND AREAS OF ESTIMATION UNCERTAINTY

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

(i) Infrastructure, plant and equipment

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

(ii) Intangible assets

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

(iii) Investment property

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged independent valuation specialists to determine fair value as at 30 June 2013. For the investment buildings, the valuer used a valuation technique based

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

on capitalised rental income as there is a lack of comparable market data because of the nature of the property.

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

(iv) Trade and other receivables

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

(v) Fair value of financial instruments

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

(vi) Non-derivative financial liabilities

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

(vii) Financial guarantees

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

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

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

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

(i) Airport Lease

Major features of the Airport Lease:

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

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

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

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

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

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

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

(ii) Airports Act

The Airports Act regulates, inter alia, the following:

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligations imposed by the Airports Act include the following:

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

(iii) Treasurer's Direction

Pursuant to section 29 of the Trade Practices Act:

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

(ii) Aeronautical services are limited to:

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

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

(W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(i) Changes in accounting policy and disclosures

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2012 as outlined in the beneath table. The adoption of the new and amended Australian Accounting Standards and AASB Interpretations did not have any impact on the financial position or performance of the Group.

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

REFERENCE	TITLE	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 2010-8	**Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]** These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 Jan 2012	1 July 2012
AASB 2011-9	**Amendments to Australian Accounting Standards -Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]** This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

* Designates the beginning of the applicable annual reporting period.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2013, outlined in the table below:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*	IMPACT ON GROUP FINANCIAL REPORT
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. **Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.**	1 Jan 2013	1 July 2013	No impact on the Group.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*	IMPACT ON GROUP FINANCIAL REPORT
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities - Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. **Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.**	1 January 2013	1 July 2013	No impact on the Group.
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013	Will impact the qualitative disclosures on consolidation of subsidiaries.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*	IMPACT ON GROUP FINANCIAL REPORT
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. **Consequential amendments were also made to other standards via AASB 2011-8.**	1 January 2013	1 July 2013	Will impact the qualitative disclosures of fair value, but will not impact the quantitative calculations of fair value.
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013	Will have an impact on the Group by requiring the discounting of annual leave which not expected to be taken within 12 months.
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.	1 January 2013	1 July 2013	New qualitative disclosures on derivative netting arrangements will be required.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*	IMPACT ON GROUP FINANCIAL REPORT
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: • Repeat application of AASB 1 is permitted (AASB 1) • Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	1 July 2013	No impact on the Group.
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	1 January 2013	1 July 2013	No impact on the Group.
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 July 2013	No impact on the Group.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*	IMPACT ON GROUP FINANCIAL REPORT
AASB 1053	Application of Tiers of Australian Accounting Standards	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this standard) (b) The Australian Government and State, Territory and Local governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities c) Public sector entities other than the Australian Government and State, Territory and Local governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.	1 July 2013	1 July 2013	No impact to the Group as the Group will continue to prepare Tier 1 general purpose financial statements.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*	IMPACT ON GROUP FINANCIAL REPORT
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014	No impact on the existing offsetting arrangements of the Group.
Interpretation 21	Levies^	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014	No impact on the Group.
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 Jan 2015	1 July 2015	No impact on the Group.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*	IMPACT ON GROUP FINANCIAL REPORT
AASB 9 (continued)	Financial Instruments	(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 Jan 2015	1 July 2015	No impact on the Group.

* Designates the beginning of the applicable annual reporting period unless otherwise stated.
^ The AASB have not yet issued the Australian equivalent of this Interpretation.

NOTE 2. REVENUES

	NOTES	2013 $'000	2012 $'000
(a) Revenue from continuing operations			
Aeronautical charges		**162,463**	119,955
Trading revenue		**49,840**	47,000
Ground transport services		**75,422**	65,856
Investment property rentals		**62,375**	59,419
Net gain on premium leasing		**17,787**	16,440
Recharge property services		**37,974**	34,040
Other revenue		**2,048**	1,665
Net gain on disposal of property, plant and equipment		**27**	13
		407,936	344,388

	2013 $'000	2012 $'000
(a)(i) Revenue from external customers		
Australia	**407,936**	344,388
	407,936	344,388

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

	2013 $'000	2012 $'000
(b) Finance revenue		
Interest income	**17,783**	4,184
Fair value gain on cross currency swaps at fair value through profit or loss	**3,977**	-
Fair value gain on interest rate swaps at fair value through profit or loss	**5,379**	-
Cash flow hedge ineffectiveness	**2,469**	73
	29,608	4,257

		2013 $'000	2012 $'000
(c) Other (loss)/ income			
Fair value gain / (loss) adjustment to investment land	14	**63,023**	257,081
Fair value gain / (loss) adjustment to investment buildings	14	**9,536**	120,387
Fair value gain / (loss) adjustment to ground leases & licenses	14	**177,847**	-
Fair value gain / (loss) adjustment to investment property		**250,406**	377,468

NOTE 3. EXPENSES

	NOTES	2013 $'000	2012 $'000
(a) Operating expenses			
Employee expenses		**32,729**	28,147
Defined contribution superannuation expense		**2,924**	2,439
Services and utilities		**74,457**	64,741
Office overheads		**19,755**	15,978
Bad and doubtful debts expense/(reversed)	9	**(77)**	95
Maintenance expenses		**7,857**	6,250
Capitalised lease – operational land	13	**397**	395
		138,042	118,045

	NOTES	2013 $'000	2012 $'000
(b) Finance Expenses			
Interest expense			
- Senior debt		**72,667**	83,849
- Subordinated shareholder loan		**16,122**	10,673
- Other		**811**	811
- Interest rate swap break and reset costs	24(b)	**-**	40,550
- Interest rate swap amortisation	24(b)	**8,167**	2,335
- Interest rate swap unrealised loss	22	**-**	2,725
- Cross currency swap unrealised loss	22	**-**	3,471
- Foreign currency USPP translation loss		**32,829**	-
Total Finance expenses		**130,596**	144,414

	NOTES	2013 $'000	2012 $'000
(c) Depreciation			
Plant and equipment		**2,931**	1,943
Leased: Buildings		**6,843**	5,138
Fixed plant and equipment		**8,346**	6,563
Runways, taxiways and aprons		**6,274**	5,448
Other infrastructure		**11,706**	8,585
Total Depreciation	15	**36,100**	27,677

	NOTES	2013 $'000	2012 $'000
(d) Amortisation of Intangibles			
Capitalised master plan costs	16	**563**	563
Other intangible assets	16	**1,246**	1,557
Total Amortisation of intangibles		**1,809**	2,120

NOTE 4. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	NOTES	2013 $'000	2012 $'000
Cash flow hedges:			
Net change in fair value of interest rate swaps	24(b)	**24,812**	(47,319)
De-designation of interest rate swaps	24(b)	**(26,012)**	-
Amortisation of interest rate swaps retained in reserve	24(b)	**8,167**	2,335
Net movement of cash flow hedges		**6,967**	(44,984)

NOTE 5. INCOME TAX EXPENSE

	NOTES	2013 $'000	2012 $'000
The major components of income tax expense are:			
Profit and loss			
Current income tax charge		**(43,568)**	(7,592)
Adjustments in respect of current income tax of previous years		**(3)**	3,871
Deferred income tax*	23	**(70,427)**	(120,390)
Income tax benefit / (expense) reported in profit and loss		**(113,998)**	(124,111)
** Relating to origination and reversal of temporary differences*			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the applicable income tax rate is as follows:			
Accounting profit before income tax from continuing operations		**381,403**	433,857
At the statutory income tax rate of 30% (2012: 30%)		**(114,421)**	(130,157)
Adjustments in respect of current income tax of previous years		**(3)**	3,871
Non-deductible / (non-assessable) items		**426**	2,175
Income tax expense reported in profit and loss		**(113,998)**	(124,111)
Statement of changes in equity			
Current income tax related to items charged or credited directly to equity in respect of net gain on revaluation of cash flow hedges		**(2,090)**	13,495
Income tax benefit / (expense) reported in equity	23	**(2,090)**	13,495

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

NOTE 6. AUDITORS' REMUNERATION

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

	2013 $	2012 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• An audit or review of the financial report of the entity and any other entity in the Company	**155,185**	134,465
•Other assurance services – precinct outgoing audits	**51,550**	90,350
•Other services in relation to the entity and any other entity in the Company		
- Tax compliance services	**32,000**	67,200
- Other taxation consulting services	**108,728**	90,440
	347,463	382,455
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
• Taxation services provided by Ernst & Young Law	**37,350**	133,022
	384,813	515,477

NOTE 7. DIVIDENDS PAID AND PROPOSED

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

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

Dividends declared and paid during the year ending 30 2013:

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

Franked dividends paid during the year ending 30 June 2013, and during the year ending 30 June 2012, were franked at the tax rate of 30%. There have been no dividends proposed or declared after the balance sheet date.

Franking credit balance	2013 $'000	2012 $'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%	**2**	1,167
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**2,479**	-
Franking debits that will arise from the refund of income tax payable as at the end of the financial year	**-**	(7,115)
The amount of franking credits / (debits) available for future reporting periods	**2,481**	(5,948)

NOTE 8. CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Cash at bank and on hand	**47,658**	75,002

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

Cash at bank and on hand includes an amount of $19,236,000 (2012: $18,376,000) attributable to the Debt Service Reserve Account ("DSRA"). The DSRA is a lending covenant per the Syndicated Facility Agreement that requires a minimum level of free cash to be maintained equivalent to three months of senior debt interest (refer to note 19(c)(iii)). The DSRA earns interest at short-term deposit interest rates, and is not available for use by the Group.

Cash at bank and on hand also includes an amount of $133,000 (2012: $172,000) relating to security deposits received as sub-lessor from commercial property sub-leases. The Group is not required to repay interest in the event that these security deposits are returned to the sub-lessee.

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

NOTE 9. TRADE AND OTHER RECEIVABLES

	NOTES	2013 $'000	2012 $'000
Trade receivables	25(b)(1)(ii)	**36,130**	44,615
Allowance for impairment loss	(a)	**-**	-
		36,130	44,615
Accrued revenue		**5,273**	4,758
Other receivables	(b)	**257**	331
Cross currency swaps net interest receivable		**2,883**	-
		44,543	49,704

Due to the short term nature of these receivables, the carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is held against trade receivables via security deposits and retentions (as disclosed in Note 8, 11 and 17) and bank guarantees. It is not the Group's policy to transfer (on-sell) receivables to special purpose entities. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets is disclosed in note 24.

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	2013 $'000	2012 $'000
At 1 July		-	(116)
Unused amounts recovered in income statement	3	-	116
Provision for impairment recognised during the year	3	77	(211)
Receivables written off during the year as uncollectible		(77)	211
At 30 June		-	-

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

		0-30 DAYS	0-30 DAYS CI*	31-60 DAYS PDNI*	31-60 DAYS CI*	61-90 DAYS PDNI*	61-90 DAYS CI*	+91 DAYS PDNI*	+91 DAYS CI*
	TOTAL $'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2013	36,130	17,033	-	17,137	-	1,309	-	651	-
2012	44,615	41,727	-	2,517	-	63	-	308	-

* Past due not impaired (PDNI)

* Considered impaired (CI)

Trade receivables past due but not impaired are $19,098,000 (2012: $2,888,000). Payment terms on these amounts have not been renegotiated however there is no recent history of default. The Group has been in direct contact with the relevant debtors and is satisfied the payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Other debtors primarily comprise interest income accrued from cash and cash equivalents which has not yet been received at balance date.

NOTE 10. PREPAYMENTS

	2013 $'000	2012 $'000
Refinancing establishment cost	**360**	410
Other prepayments	**1,150**	941
	1,510	1,351

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

NOTE 11. OTHER FINANCIAL ASSETS

	2013 $'000	2012 $'000
Security deposits	**383**	431
Operating lease receivable	**6,733**	4,973
	7,116	5,404

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

NOTE 12. INVESTMENT IN SUBSIDIARY

The Company held 100% of the ordinary shares in Perth Airport Investments Pty Ltd. Perth Airport Investments Pty Ltd was incorporated in Australia and did not trade and held no assets or liabilities. Accordingly, the Directors were of the opinion that the investment be valued at a nil cost (2012: nil). On 16 July 2012, an application was made to ASIC to deregister Perth Airport Investments Pty Ltd. Perth Airport Investments Pty Ltd was officially deregistered by ASIC on 11 March 2013.

NOTE 13. CAPITALISED LEASE – OPERATIONAL LAND

	NOTES	2013 $'000	2012 $'000
Carrying amount at 1 July		**33,209**	33,521
Transfer from investment land	14	**21,300**	83
Portion expensed during the year	3(a)	**(397)**	(395)
Carrying amount at 30 June		**54,112**	33,209

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

Operational land under lease is classified as an operating lease, with the upfront payment recognised as prepaid rent and the gross value is amortised over the period of the lease (including the option renewal term) on a straight line basis.

NOTE 14. INVESTMENT PROPERTY – AT VALUATION

	NOTES	2013 $'000	2012 $'000
Investment Land - at valuation			
Carrying amount at 1 July		371,100	130,228
Premium lease disposals	(ii)	(13,973)	(2,403)
Transfer to operational land	13, (iii)	(21,300)	(83)
Reclassification adjustment to investment building	(d)	-	(13,723)
Revaluation increments	2(c)	63,023	257,081
Carrying amount at 30 June		398,850	371,100
Ground Leases and Licenses - at valuation			
Carrying amount at 1 July		29,339	29,339
Premium lease disposals	(ii)	(66)	-
Revaluation increments	2(c)	177,847	-
Carrying amount at 30 June		207,120	29,339
Investment Buildings - at valuation			
Carrying amount at 1 July		352,330	214,573
Investment buildings constructed – subsequent expenditure		1,184	3,647
Revaluation increments	2(c)	9,536	120,387
Reclassification adjustment from investment land	(iv)	-	13,723
Carrying amount at 30 June		363,050	352,330
Investment Buildings under construction – at cost			
New investment buildings under construction - at cost		12,666	2,096
Borrowing costs capitalised – new investment buildings under construction	(i)	162	417
Carrying amount at 30 June		12,828	2,513
Total investment properties at fair value		981,848	755,282

The Company engaged Colliers (licensed valuers) to provide an independent valuation of its englobo investment land, leased building investments, and ground leases and licenses. The basis of measuring the fair value of ground leases and licenses was amended during the year to an approach consistent with the valuation concept of the highest and best use.

Ground leases and licenses were valued by Colliers utilising either an income capitalisation valuation approach or a development site rate per $m2. This change in valuation technique led to an increase in the fair value of ground leases and licenses of $177,847,000.

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

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

(i) During the year borrowing costs were capitalised on the construction of investment buildings. Borrowing costs were capitalised at a weighted average interest rate of 6.56% (2012: 7.11%).

NOTE 14. INVESTMENT PROPERTY – AT VALUATION (CONTINUED)

(ii) During the year ending 30 June 2013, the Company entered into three (2012: three) separate Board approved premium leasing transactions which resulted in two (2012: three) disposals of investment land with a carrying value of $13,973,000 (2012: $2,403,000) and the disposal of one (2012: zero) ground lease with a carrying value of $66,000 (2012: $0).

(iii) During the year investment land with carrying value of $21,300,000 (2012: $83,000) 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) The reclassification adjustment for the year ending 30 June 2012 relates to a component of investment land that previously under the ODRC valuation methodology was valued separately from investment buildings when valuing investment buildings. Under the capitalised rental valuation of investment buildings for the year ending 30 June 2012, the valuation of this investment land is included within the investment building valuation.

Leasing arrangements

The Group enters into commercial property leases on its investment property portfolio, comprising of premium leases (refer to note 1(m)(iv) and commercial operating leases. Commercial operating leases are classified as operating leases based on the evaluation of the terms and conditions of the arrangements, 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:

	2013 $'000	2012 $'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	**56,877**	53,372
Later than one year but not later than 5 years	**180,679**	139,689
Later than 5 years	**84,588**	166,223
	322,144	359,284

NOTE 15. INFRASTRUCTURE, PLANT AND EQUIPMENT

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

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

During the year borrowing costs were capitalised on the construction of qualifying assets. Included within assets under construction is borrowing costs of $2,296,000 (2012: $3,227,000) which were capitalised at a weighted average interest rate of 6.56% (2012: 7.11%).

		INFRASTRUCTURE ASSETS UNDER LEASE						
	PLANT AND EQUIPMENT	BUILDINGS	FIXED PLANT AND EQUIPMENT	RUNWAYS, TAXIWAYS AND APRONS	OTHER INFRA-STRUCTURE	TOTAL INFRA STRUCTURE ASSETS UNDER LEASE	ASSETS UNDER CONSTRUCTION	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross Carrying Value at cost - 1 July 2011	**18,429**	**107,015**	**57,708**	**108,952**	**158,271**	**431,946**	**118,277**	**568,652**
Additions	-	-	-	-	-	-	166,617	166,617
Transfers - capitalised work in progress	4,000	6,864	24,202	21,332	46,432	98,830	(102,830)	-
Transfers - investment properties	-	-	-	-	-	-	(7,402)	(7,402)
Disposals	(703)	(24)	(525)	(272)	(183)	(1,004)	(683)	(2,390)
Gross Carrying Value - 30 June 2012	**21,726**	**113,855**	**81,385**	**130,012**	**204,520**	**529,772**	**173,979**	**725,477**
Accumulated Depreciation - 1 July 2011	**(9,939)**	**(26,814)**	**(20,015)**	**(14,849)**	**(19,076)**	**(80,754)**	**-**	**(90,693)**
Depreciation charge for the year	(1,943)	(5,138)	(6,563)	(5,448)	(8,585)	(25,734)	-	(27,677)
Disposals	685	19	436	272	183	910	-	1,595
Accumulated Depreciation - 30 June 2012	**(11,197)**	**(31,933)**	**(26,142)**	**(20,025)**	**(27,478)**	**(105,578)**	**-**	**(116,775)**
Carrying Value 1 July 2011	**8,490**	**80,201**	**37,693**	**94,103**	**139,195**	**351,192**	**118,277**	**477,959**
Carrying Value 30 June 2012	**10,529**	**81,922**	**55,243**	**109,987**	**177,042**	**424,194**	**173,979**	**608,702**
Gross Carrying Value at cost - 1 July 2012	**21,726**	**113,855**	**81,385**	**130,012**	**204,520**	**529,772**	**173,979**	**725,477**
Additions	-	-	-	-	-	-	232,660	232,660
Transfers - capitalised work in progress	8,954	101,645	39,035	43,964	40,018	224,662	(233,616)	-
Transfers - investment properties	-	-	-	-	-	-	(1,184)	(1,184)
Disposals	(576)	-	-	-	-	-	(317)	(893)
Gross Carrying Value - 30 June 2013	**30,104**	**215,500**	**120,420**	**173,976**	**244,538**	**754,434**	**171,522**	**956,060**
Accumulated Depreciation - 1 July 2012	**(11,197)**	**(31,933)**	**(26,142)**	**(20,025)**	**(27,478)**	**(105,578)**	**-**	**(116,775)**
Depreciation charge for the year	(2,931)	(6,843)	(8,346)	(6,274)	(11,706)	(33,169)	-	(36,100)
Disposals	419	-	-	-	-	-	-	419
Accumulated Depreciation - 30 June 2013	**(13,709)**	**(38,776)**	**(34,488)**	**(26,299)**	**(39,184)**	**(138,747)**	**-**	**(152,456)**
Carrying Value 1 July 2012	**10,529**	**81,922**	**55,243**	**109,987**	**177,042**	**424,194**	**173,979**	**608,702**
Carrying Value 30 June 2013	**16,395**	**176,724**	**85,932**	**147,677**	**205,354**	**615,687**	**171,522**	**803,604**

NOTE 16. GOODWILL AND OTHER INTANGIBLE ASSETS

	NOTES	2013 $'000	2012 $'000
Goodwill	(a)	**443,598**	443,598
Capitalised master plan costs			
Opening balance		**2,428**	2,428
Gross carrying value at 30 June		**2,428**	2,428
Accumulated amortisation at 1 July		**1,372**	809
Amortisation expense	3(d)	**563**	563
Accumulated amortisation at 30 June		**1,935**	1,372
Net carrying value at 30 June		**493**	1,056
Other Intangible Assets	(b), (d)		
Opening balance		**21,657**	22,621
Software	(c)	**319**	91
Software licenses derecognised	(c)	**(254)**	(1,055)
Gross carrying value at 30 June		**21,722**	21,657
Accumulated amortisation at 1 July		**14,887**	14,385
Amortisation expense	3(d)	**1,246**	1,557
Amortisation derecognised		**(254)**	(1,055)
Accumulated amortisation at 30 June		**15,879**	14,887
Net carrying value at 30 June		**5,843**	6,770
Total Other Intangible Assets		**6,336**	7,826

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

The Company operates in one operating segment and provides and operates airport facilities at Perth, WA, Australia. The goodwill relates to the original acquisition of the airport and therefore any allocation below the Company level (to business segments within the company) is extremely arbitrary. This approach is consistent with prior year practice and the airport industry. Accordingly, the Company as a whole is the cash generating unit used to evaluate the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Fair value is calculated using a long term financial model ("the model") which forecasts the future cash flows to shareholders. The model is a value in use methodology that is derived using a discounted cash flow approach. Key assumptions in the model are reviewed at least annually with senior management as part of the budget process and are summarised as follows:

NOTE 16. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

- Passenger numbers are forecast by Management primarily sourced from Tourism Futures International ("TFI"), who provide "Central", "Low" and "High" traffic scenarios. The "Central" scenario is adopted for the financial model. In addition to the total passenger numbers, other forecast information is provided to assist in identifying capacity requirements.
- Capital expenditure is forecast based on the Airport Redevelopment Programme considering traffic forecasts provided by TFI and the Company's Asset Replacement Programme. The Airport Master Plan prepared every five years also provides guidance as to the requirement and timing of capital expenditure.
- Operating revenue assumptions are based on the current regulatory regime for aeronautical revenue and also on current trading conditions for revenue streams that are largely dependent on passenger numbers including car parking and retail operations within the passenger terminals. These assumptions are adjusted for expected changes in trading conditions resulting from capital expenditure or external factors expected to occur in the future. Rental revenue is based on the current rent portfolio, with growth assumptions based on provisions within the key lease contracts.
- Property development revenue is based on a roll out of the surplus land that is not required for aviation purposes, adjusted in the near term years to take into account known design and construction projects.
- Operating expenditure assumptions are based on the budget and extrapolated using a range of factors including forecast CPI, wage growth based on the Enterprise Bargaining Agreement, and increases in staff numbers as the operation expands.
- The pre-tax, risk adjusted discount rate is reviewed annually in conjunction with PAPL shareholders. The pre-tax, risk adjusted discount rate range that was applied to cash flow projections was 12.1% to 12.8% (2012: 12.7% to 13.4%).

Calculations to test for impairment of goodwill and other intangible assets with indefinite useful lives, have resulted in no impairment of goodwill and other intangible assets with indefinite useful lives since their respective acquisition dates. On this basis it is appropriate to continue to carry goodwill at the same value it was initially booked on acquisition date. There is also sufficient excess of the recoverable amount compared to the carrying amount that goodwill and other intangible assets with indefinite useful lives would be unlikely to be impaired even in a worst case scenario e.g. in a "low" traffic scenario.

(b) Domain name acquired

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

NOTE 16. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(c) Software

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

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

(d) Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets are amortised over the period of the lease or the life of the master plan where applicable. The amortisation has been recognised in the statement of comprehensive income in the line "operating expenses". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

NOTE 17. TRADE AND OTHER PAYABLES

	NOTES	2013 $'000	2012 $'000
Trade payables – unsecured		**10,695**	21,116
Bond issue 7 years net interest payable		**377**	526
Bond issue 10 years net interest payable		**905**	1,479
Syndicated facility – Tranche 1 interest payable		**2,008**	2,451
Syndicated facility – Tranche 2 interest payable		**1,433**	2,527
Syndicated facility – Tranche 3 interest payable		**-**	764
United States Private Placement - Series A, B and C interest payable		**5,949**	-
United States Private Placement - Series D interest payable		**952**	-
Interest rate swaps net interest payable		**2,481**	901
Accrued borrowing expenses		**706**	589
Other creditors - unsecured		**16,106**	9,579
Security deposits	8, 11	**516**	603
Retentions withheld		**28**	159
Net GST payable		**2,217**	351
		44,373	41,045

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

NOTE 18. CURRENT PROVISIONS

	NOTES	2013 $'000	2012 $'000
Annual Leave			
Balance at 1 July		2,786	2,246
Additional provisions raised during the year		1,728	1,631
Amounts utilised		(1,208)	(1,091)
Balance at 30 June		3,306	2,786
Long Service Leave			
Balance at 1 July		1,823	1,751
Additional provisions raised during the year		393	267
Amounts utilised		(231)	(339)
Transfer from / (to) non-current portion	20	-	144
Balance at 30 June		1,985	1,823
Total		5,291	4,609

NOTE 19. INTEREST-BEARING LOANS & BORROWINGS

	NOTES	2013 $'000	2012 $'000
Current borrowings			
Bond Issue - 7 Years	(i)	99,939	-
Total current interest-bearing loans & borrowings		99,939	-
Non-current borrowings			
Senior Secured Debt			
Bond Issue - 7 Years	(i)	-	99,775
Bond Issue - 10 Years	(ii)	239,068	238,792
Syndicated facility - Tranche 1	(iii)	312,547	311,496
Syndicated facility - Tranche 2	(iv)	210,608	296,440
Syndicated facility - Tranche 3	(v)	(3,051)	84,877
Working capital facility	(vi)	(101)	(145)
United States Private Placement - Series A	(vii)	54,289	-
United States Private Placement - Series B	(viii)	86,853	-
United States Private Placement - Series C	(ix)	151,976	-
United States Private Placement - Series D	(x)	29,812	-
		1,082,001	1,031,235
Subordinated Unsecured Debt			
Subordinated shareholder loans	(xi)	131,109	131,006
		131,109	131,006
Total non-current interest-bearing loans & borrowings		1,213,110	1,162,241
Total interest-bearing loans & borrowings	(xii)	1,313,049	1,162,241

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

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

(i) The 7 year bond facility of $100m, placed in November 2006, has a period of maturity of seven years ending 11 November 2013. At balance date, the facility is net of transaction costs and is fully hedged against interest rate risk (see note 22). Transaction costs are amortised on a straight line basis over the contractual life of the facility. The interest rate charged on this facility at 30 June 2013 was 3.0300% (2012: 4.0583%), being BBSW of 2.8100% (2012: 3.8383%) plus a margin of 0.22%, and is paid quarterly. Interest on the hedged facility is also paid quarterly.

(ii) The 10 year bond facility of $240m, placed in November 2006, has a period of maturity of ten years ending 11 November 2016. At balance date, the facility is net of transaction costs and is fully hedged for interest rate risk (see note 22). Transaction costs are amortised on a straight line basis over the contractual life of the facility. The interest rate charged on this facility at 30 June 2013 was 3.0600% (2012: 4.0883%), being BBSW of 2.8100% (2012: 3.8383%) plus a margin of 0.25%, and is paid quarterly. Interest on the hedged facility is also paid quarterly.

(iii) The syndicated facility tranche 1 represents a fully drawn $315m syndicated loan facility net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The syndicated facility tranche 1 is an interest only facility with the principal payable on the maturity date of 9 November 2015. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 1.55% (2012: 1.70%). The interest rate charged on this facility at 30 June 2013 was 4.3900% (2012: 5.4617%), being BBSY of 2.8400% (2012: 3.7617%) plus a margin of 1.55% (2012: 1.70%). The margin is dependent on the long term credit rating of PAPL. The total facility of $315m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly.

(iv) The syndicated facility tranche 2 represents a $300m syndicated loan facility net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The syndicated facility tranche 2 is an interest only facility with the principal payable on the maturity date of 9 November 2017. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 2.00% (2012: 2.15%). The interest rate charged on this facility at 30 June 2013 was 4.8475% (2012: 5.9117%), being BBSY of 2.8475% (2012: 3.7617%) plus a margin of 2.00% (2012: 2.15%). The margin is dependent on the long term credit rating of PAPL. The total drawn down amount of the facility at 30 June 2013 of $213.5m is fully hedged for interest rate risk (see note 22). Interest on the hedged facility is also paid quarterly.

(v) The syndicated facility tranche 3 represents a $300m syndicated loan facility net of transaction costs. Directly incremental transaction costs are amortised on a straight line basis over the contractual life of the facility. The syndicated facility tranche 3 is an interest only facility with the principal payable on the maturity date of 9 November 2018. Interest is payable quarterly and the interest rate on the underlying facility is BBSY plus a margin of 2.15% (2012: 2.30%). The interest rate charged on this facility at 30 June 2013 was nil (2012: 6.0617%), being BBSY of nil (2012: 3.7617%) plus a margin of 2.15% (2012: 2.30%). The margin is dependent on the long term credit rating of PAPL. There is no debt drawn down of the facility at 30 June 2013.

(vi) The working capital facility of $15m is an interest only facility with the principal payable on the maturity date of 9 November 2015. The interest rate on the underlying facility is BBSY plus a margin of 1.55% (2012:1.7%). The margin is dependent on the long term credit rating of PAPL. The balance at 30 June 2013 represents unamortised directly incremental transaction costs that are amortised on a straight line basis over the contractual life of the facility. The facility was utilised to provide a bank guarantee for the amount of $10,750,000 which was issued to Western Power on 6 August 2012.

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

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

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

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

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

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

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

The interest rate charged at 30 June 2013 was 12.0167% (2012: 12.9350%), being the 6 month BBSW rate of 4.0167% (2012: 4.9350%) set at 30 April 2012, plus a margin of 8% p.a. The terms and conditions of the Company's financing arrangements provide for the subordination of payment obligations to the unsecured debt holders for such time as any secured money remains owing (refer to note 30(ii)).

(xii) At 30 June 2013, the average interest rate on the facilities utilised at reporting date was 5.66%, (2012: 7.09%) being an average rate 4.09% (2012: 5.19%) and an average credit margin of 1.57% (2012: 1.90%).

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

(b) Financing Arrangements excluding subordinated borrowings

$AUD INTEREST-BEARING LOANS AND BORROWINGS	2013 $'000	2012 $'000
Total facilities available:		
Bond Issue - 7 years	**100,000**	100,000
Bond Issue - 10 years	**240,000**	240,000
Syndicated facility - Tranche 1	**315,000**	315,000
Syndicated facility - Tranche 2	**300,000**	300,000
Syndicated facility - Tranche 3	**300,000**	300,000
United States Private Placement - Series D	**30,000**	-
Working capital facility	**15,000**	15,000
	1,300,000	1,270,000
Facilities utilised at reporting date		
Bond Issue - 7 years	**100,000**	100,000
Bond Issue - 10 years	**240,000**	240,000
Syndicated facility - Tranche 1	**315,000**	315,000
Syndicated facility - Tranche 2	**213,500**	300,000
Syndicated facility - Tranche 3	**-**	88,500
Working capital facility	**10,750**	-
United States Private Placement - Series D	**30,000**	-
	909,250	1,043,500
Facilities not utilised at reporting date		
Syndicated facility - Tranche 2	**86,500**	-
Syndicated facility - Tranche 3	**300,000**	211,500
Working capital facility	**4,250**	15,000
	390,750	226,500
$USD INTEREST-BEARING LOANS AND BORROWINGS		
Total facilities available:		
United States Private Placement - Series A	**50,000**	-
United States Private Placement - Series B	**80,000**	-
United States Private Placement - Series C	**140,000**	-
	270,000	-
Facilities utilised at reporting date		
United States Private Placement - Series A	**50,000**	-
United States Private Placement - Series B	**80,000**	-
United States Private Placement - Series C	**140,000**	-
	270,000	-
Facilities not utilised at reporting date		
United States Private Placement - Series A	**-**	-
United States Private Placement - Series B	**-**	-
United States Private Placement - Series C	**-**	-
	-	-

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

(c) Secured Debt – Security and Covenants

The secured borrowings are fully secured over all the assets of PAPL, including a mortgage over the entity's interest under the Perth Airport lease. In addition, PADG has guaranteed repayment of the outstanding indebtedness by providing a charge over its shares and shareholder loans in PAPL and a featherweight charge over all of its property.

The following ratios and covenants, failure of which is an event of default, are reported quarterly in a Compliance Certificate in accordance with the terms defined in the Syndicated Facility Agreement:

(i) The Debt Service Cover Ratio ("DSCR") is the ratio of total cash flows available for debt service compared to the senior debt interest expense. The covenants require that the DSCR on the most recent Ratio Date not to fall below 1.10:1. The covenant reported at 30 June 2013 was 3.16:1.

(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 2013 was 0.36:1.
Refer to note 25 for further details.

(iii) Debt Service Amount - a minimum level of free cash is to be maintained equivalent to three months of senior debt interest. This is managed through the amounts deposited in the Debt Service Reserve Account (refer to note 8).

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

(d) Event occurring after balance sheet date – Fixed Income Bond

The company transacted on 16 July 2013 a 6.0% fixed income $AUD bond with a face value of $150,000,000. The fixed rate bond settled on 23 July 2013, and was issued at a price of $99.803 and a yield of 6.035%. The fixed income bond matures on 23 July 2020.

NOTE 20. NON-CURRENT PROVISIONS

	NOTES	2013 $'000	2012 $'000
Long service leave:			
Opening balance at 1 July		355	499
Transfers (to) / from current portion	18	-	(144)
Additional provisions raised during the year		153	-
Balance at 30 June		508	355

NOTE 21. DEFERRED REVENUE

	2013 $'000	2012 $'000
Current Liabilities:		
Opening balance at 1 July	1,822	1,501
Deferred revenue received during the year	316	562
Recognised as income	(6,814)	(1,702)
Transfer from non-current portion	6,150	1,461
	1,474	1,822
Non-Current Liabilities:		
Opening balance at 1 July	27,038	27,699
Deferred revenue received during the year	7	800
Transfer to current portion	(6,150)	(1,461)
	20,895	27,038

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

During the year ending 30 June 2013, the Company received revenue in advance of $323,000 (2012: $148,000) from retail operations that will be recognised in the income statement.

NOTE 22. DERIVATIVE FINANCIAL INSTRUMENTS – ASSETS AND LIABILITIES

		2013 $'000	2012 $'000
Financial non-current assets at fair value through profit or loss			
Derivatives not designated as hedges			
Interest rate swaps	(i)	5,322	-
Cross currency swaps	(ii)	506	-
Total financial non-current assets at fair value through profit or loss		5,828	-
Financial non-current liabilities at fair value through other comprehensive income			
Interest rate swap contracts – cash flow hedges	(i)	58,426	57,026
Total financial non-current liabilities at fair value through other comprehensive income		58,426	57,026
Financial non-current liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Interest rate swaps not designated as cash flow hedges		-	2,725
Cross currency swaps	(ii)	-	3,471
Total financial non-current liabilities at fair value through profit or loss		-	6,196
Total financial non-current liabilities		58,426	63,222

i) Interest rate Swaps

Cash flow hedges are used to hedge exposures relating to PAPL's variable rate borrowings.

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

Variable rates received on derivative financial instruments are linked to 3 month BBSW and 3 month BBSY. The interest rate swap contracts require settlement of net interest receivable or payable each quarter and are settled on a net basis. The settlement dates coincide with the quarterly dates on which interest is payable on the underlying interest-bearing loans and borrowings. At 30 June 2013, the weighted average interest rate of the interest rate swap contracts was 4.6174% (2012: 4.6174%).

The effectiveness of PAPL's hedging relationships relating to its interest-bearing loans and borrowings is tested prospectively and retrospectively by means of statistical methods using regression analysis. The actual derivative instruments in a cash flow hedge are regressed against a hypothetical derivative. The primary objective is to determine if changes to the hedged item and derivative are highly correlated and, thus, supportive of the assertion that there will be a high degree of offset in cash flows achieved by the hedge.

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

The effective portion of gains or losses from remeasuring the fair value of the hedge instruments are recognised directly in equity in the cash flow hedging reserve until such time as the hedged item affects the profit and loss, then the gains or losses are re-classified into the profit and loss when the interest expense is recognised. The ineffective portion is recognised in the profit and loss immediately. During the year an income of $2,469,000 (2012: income of $73,000) was recognised as hedge ineffectiveness in the profit and loss.

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

Interest rate swaps in place cover 80% (2012: 104%) of the underlying hedged principal outstanding. The fixed interest rates range between 4.500% and 4.800% (2012: 4.500% and 4.800%) and the variable rate at balance date was BBSY in a range between 2.840% and 2.860% (2012: 3.558% and 5.075%) and BBSW at 2.810% (2012: 3.508% and 5.025%). The notional amount of the interest rate swap contracts and the underlying hedged items are as follows:

	NOTIONAL CONTRACT AMOUNT	NOTIONAL CONTRACT AMOUNT	MATURITY DATE OF CONTRACT
	2013 $'000	2012 $'000	
Underlying hedged item			
Interest rate swaps - 7 year bonds	**100,000**	100,000	9 November 2018
Interest rate swaps - 10 year bonds	**240,000**	240,000	11 November 2016
Syndicated Facility - Tranche 1	**73,378**	73,378	9 November 2018
Syndicated Facility - Tranche 1	**241,622**	241,622	11 November 2016
Syndicated Facility - Tranche 2	**113,500**	300,000	9 November 2018
Syndicated Facility - Tranche 2	**100,000**	-	20 June 2019
Syndicated Facility - Tranche 3	**-**	26,622	9 November 2018
Syndicated Facility - Tranche 3	**-**	61,878	20 June 2019
	868,500	1,043,500	
Derivatives not designated as hedges			
Interest rate swap	**213,122**	-	9 November 2018
Interest rate swap	**-**	38,121	20 June 2019
Total interest rate swap notional	**1,081,622**	1,081,621	

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

ii) Cross Currency Swaps

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

The net impact, as detailed beneath, was to exchange USD $270 million for AUD $276.56 million:

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

The variable BBSW rate at 30 June 2013 was 2.9383%.

NOTE 23. DEFERRED TAX LIABILITIES

	NOTES	STATEMENT OF FINANCIAL POSITION		PROFIT OR LOSS		OTHER COMPREHENSIVE INCOME	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Deferred income tax at 30 June relates to:							
Deferred tax liabilities							
Accelerated depreciation for tax purposes		**28,456**	29,109	**(654)**	1,819	-	-
Revaluations of investment properties to fair value		**241,373**	174,864	**66,509**	109,211	-	-
Prepaid rent - operational rent		**15,211**	8,941	**6,271**	(119)	-	-
Contractual intangible assets		**578**	1,086	**(507)**	(593)	-	-
Deferred finance costs		**364**	477	**(113)**	6	-	-
Accrued expenses		**-**	-	**36**	-	-	-
Derivative financial instruments - held for trading		**948**	-	**948**	-	-	-
Property development income - future assessable amounts		**30,047**	19,636	**10,411**	8,880	-	-
Accrued revenue		**1,641**	1,484	**122**	(1,423)	-	-
		318,618	235,597	**83,023**	117,781	-	-
Deferred tax assets							
Doubtful debts		**-**	-	**-**	34	-	-
Accrued expenses		**(1,927)**	(45)	**(1,882)**	(20)	-	-
Capitalised legal expenses		**(132)**	(108)	**(24)**	40	-	-
Derivative financial instruments - cash flow hedges		**(17,490)**	(17,130)	**(2,450)**	4,553	**2,090**	(13,495)
Derivative financial instruments - held for trading		**-**	(1,859)	**1,859**	(1,859)	**-**	-
Finance costs - revaluation of USPP		**(9,848)**	-	**(9,848)**	-	**-**	-
Employee benefits		**(1,740)**	(1,489)	**(251)**	(139)	**-**	-
		(31,137)	(20,631)	**(12,596)**	2,609	**2,090**	(13,495)
Net deferred tax liabilities at 30 June		**287,481**	214,966				
Deferred tax expense	5			**70,427**	120,390		
Net transfers to Other Comprehensive Income	5					**2,090**	(13,495)

NOTE 24. CONTRIBUTED EQUITY

MOVEMENT IN ORDINARY SHARES ON ISSUE		NO. SHARES	$'000
At 30 June 2011		146,077,563	153,465
Share issue	(i)	696,518	8,400
At 30 June 2012		146,774,081	161,865
Share issue		-	-
At 30 June 2013		**146,774,081**	**161,865**

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

Fully paid ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

Nature and purpose of reserves

(a) Asset Revaluation Reserve

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

(b) Cash flow hedge reserve

The cash flow hedge reserve records the portion of the gain or loss on interest rate swaps net of income tax designated in a cash flow hedge that is determined to be an effective hedge. The cash flow hedge reserve also records the net movement of interest rate swaps that were both derecognised and reset, and interest rate swap de-designations arising from capital repayments of the syndicated facility agreement. The net movement in the reserve for the year ending 30 June 2013 is detailed beneath:

NOTE 24. CONTRIBUTED EQUITY (CONTINUED)

	NOTES	SWAP RESET COSTS	SWAP DE-DESIGNATION	EFFECTIVE HEDGES	TOTAL
		$'000	$'000	$'000	$'000
Balance at 1 July 2011 net of deferred tax		-	-	(19,102)	(19,102)
Change fair value of interest rate swaps – Nov 2011		-	-	(30,769)	(30,769)
Derecognition of interest rate swaps – Nov 2011	(i), 3(b)	(17,510)	-	58,060	40,550
Net change in fair value of interest rate swaps – Nov 2011 to June 2012		-	-	(57,100)	(57,100)
Interest rate swap amortisation to profit or loss	3(b)	2,335	-	-	2,335
		(15,175)		(48,911)	(64,086)
Deferred tax - other comprehensive income	23	4,553	-	8,942	13,495
Balance at 30 June 2012 net of deferred tax		**(10,622)**	**-**	**(39,969)**	**(50,591)**
Net change in fair value of interest rate swaps – 1 July 2012 to 30 June 2013		-	-	24,812	24,812
De-designation interest rate swaps – 26 July 2012	(ii)	-	(26,294)	-	(26,294)
De-designation interest rate swaps - 31 August 2012	(iii)	-	282	-	282
Interest rate swap amortisation to profit or loss	3(b)	3,502	4,665	-	8,167
		(7,120)	(21,347)	(15,157)	(43,624)
Deferred tax - other comprehensive income	23	(1,050)	6,404	(7,444)	(2,090)
Balance at 30 June 2013 net of deferred tax		**(8,170)**	**(14,943)**	**(22,601)**	**45,714**

(i) Arising from a refinance in November 2011, a total cost from both the derecognition and reset of interest rate swaps of $58,060,000 was incurred. This represented the fair value of interest rate swaps derecognised to the income statement of $40,550,000 (refer to note 3(b)), plus the gross amount of the interest rate swap reset costs in 10 year bonds of $17,510,000 that are retained in the cash flow hedge reserve. The interest rate swap reset costs of $17,510,000 represents the fair value of the interest rate reset costs at that date. In accordance with accounting standards, this fair value is retained within equity and amortised to interest expense over the life of the 10 year bonds until 11 November 2016 (refer to note 19(a)(viii).

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

NOTE 24. CONTRIBUTED EQUITY (CONTINUED)

(iii) On 31 August 2012, a repayment of $21,500,000 was made against the Syndicated Facility Agreement Tranche 2. As this revolving facility was not extinguished, the fair value of the interest rate swap hedging $21,500,000 of the Syndicated Facility Tranche 2 was de-designated on 31 August 2012, with the fair value balance retained within the cash flow hedge reserve and amortised to interest expense over the life underlying interest rate swap.

NOTE 25. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

(a) Capital Risk Management

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

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

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Shareholder Distributions

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

- Syndicated Facility Agreement.
- Bond Commercial Terms Deed.
- United States Private Placement Note and Guarantee Agreement
- 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 2013 owns 100% of the issued ordinary shares of PAPL (refer to Note 30(v)). PADG aims to maintain a leverage ratio below 0.75:1 (2012: 0.75:1) (refer to Note 19(c)(ii)). The leverage ratio is defined as the ratio of outstanding gross senior debt to the sum of:

- Outstanding gross senior debt less amounts held in the DSRA;
- The book carrying value of PADG's (refer to note 30(v)) investment in PAPL as shown in the most recent (prior year) audited annual accounts; and
- The book carrying value of loans and any other debt or equity interest invested by PADG in PAPL as shown in the most recent (prior year) audited annual accounts.

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

The leverage ratios based on continuing operations is:	2013 $'000	2012 $'000
Accrued interest on senior debt facilities	**11,624**	7,746
Syndicated facility - Tranche 1	**315,000**	315,000
Syndicated facility - Tranche 2	**213,500**	300,000
Syndicated facility - Tranche 3	**-**	88,500
United States Private Placement - Series A	**51,216**	-
United States Private Placement - Series B	**81,946**	-
United States Private Placement - Series C	**143,406**	-
United States Private Placement - Series D	**30,000**	-
Bond Issue - 7 years	**100,000**	100,000
Bond Issue - 10 years	**240,000**	240,000
Less DSRA balance	**(19,236)**	(18,376)
Total senior debt	**1,167,456**	1,032,870
Book carrying value of PADG's investment in PAPL (1)	**1,902,294**	1,691,411
Shareholder loans	**131,006**	131,006
Book carrying value of loans from PADG to PAPL (1)	**131,006**	131,006
Leverage ratio	**36%**	36%

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

(b) Risk exposures and mitigation

(1) Credit risk

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

(i) Trade and other receivables

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

One of the methods used to manage the concentration of risks relating to these instruments is to report on the Group's exposure by these sectors. 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.

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

- Receivable balances are monitored on an ongoing basis with the result that PAPL's exposure to bad debts is not significant.

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

(ii) Cash and cash equivalents

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

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date from financial assets was:

	NOTES	2013 $'000	2012 $'000
Cash and cash equivalents	8	**47,658**	75,002
Trade and other receivables	9	**44,543**	49,704
Other financial assets	11	**7,116**	5,404
Income tax receivable	30(v)	**-**	7,115
Derivative financial instruments - held for trading	22	**5,828**	-
		105,145	137,225

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

	NOTES	2013 $'000	2012 $'000
Aeronautical debtors		**23,169**	16,296
Property debtors		**6,029**	21,703
Ground transport debtors		**1,040**	601
Retail debtors		**4,965**	5,240
Sundry trade debtors		**927**	775
	9	**36,130**	44,615

(2) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

To ensure liquidity is maintained in accordance with the Treasury Policy, monthly updates are presented to the Board in the form of a rolling 12 month cash flow forecasts. In addition, a minimum level of free cash is maintained, equivalent to three months of senior debt service amount (refer to note 8). The use of committed liquidity facilities, and undrawn senior debt, to meet short term liquidity requirements is also available. At balance date, the Group has available $390,750,000 (2012: $226,500,000) of facilities not utilised (refer to note 19(b)).

The table below reflects all contractually fixed pay-offs for settlement, repayments and estimated interest payments resulting from recognised financial liabilities, including derivative financial instruments as of 30 June 2013. The respective undiscounted cash flows for the respective upcoming fiscal years are presented.

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

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

	CARRYING AMOUNT $'000	TOTAL CONTRACTUAL CASH FLOW $'000	LESS 12 MONTHS $'000	1-2 YEARS $'000	2-5 YEARS $'000	MORE THAN 5 YEARS $'000
2012						
Non derivative financial assets						
Cash and cash equivalents	75,002	75,002	75,002	-	-	-
Trade and other receivables	49,704	49,704	49,704	-	-	-
Total non-derivative financial assets	**124,706**	**124,706**	**124,706**	**-**	**-**	**-**
Non derivative financial liabilities						
Trade and other payables	(41,045)	(41,045)	(41,045)	-	-	-
Interest-bearing loans & borrowings	(1,162,241)	(1,456,111)	(58,104)	(152,968)	(686,195)	(558,843)
Derivative financial liabilities						
Interest rate swap hedge liabilities (net settled)	(59,751)	(122,338)	(21,535)	(22,794)	(60,847)	(17,162)
Cross Currency Swap (gross settled)						
- Outflow	-	(496,371)	(16,573)	(15,771)	(47,715)	(416,312)
- Inflow	-	436,337	12,539	12,539	37,651	373,608
Cross currency swap carrying amount	(3,471)	-	-	-	-	-
Total financial liabilities	**(1,266,508)**	**(1,679,528)**	**(124,718)**	**(178,994)**	**(757,106)**	**(618,709)**
Net inflow / (outflow)			**(12)**	**(178,994)**	**(757,106)**	**(618,709)**
2013						
Non derivative financial assets						
Cash and cash equivalents	47,658	47,658	47,658	-	-	-
Trade and other receivables	44,543	44,543	44,543	-	-	-
Derivative financial assets						
Cross Currency Swap (gross settled)						
- Outflow	-	(495,756)	(15,771)	(15,992)	(51,258)	(412,735)
- Inflow	-	463,975	13,728	13,728	41,220	395,299
Cross currency swap carrying amount	506	-	-	-	-	-
Interest rate swap - held for trading	5,322	(20,880)	(4,641)	(4,470)	(10,927)	(842)
Total financial assets	**98,029**	**39,540**	**85,517**	**(6,734)**	**(20,965)**	**(18,278)**
Non derivative financial liabilities						
Income tax payable	(2,479)	(2,479)	(2,479)	-	-	-
Trade and other payables	(44,373)	(44,373)	(44,373)	-	-	-
Interest-bearing loans & borrowings	(1,313,049)	(1,581,309)	(61,539)	(59,529)	(900,661)	(559,579)
Derivative financial liabilities						
Interest rate swap hedge liabilities (net settled)	(58,426)	(68,029)	(18,154)	(17,459)	(30,099)	(2,317)
Total financial liabilities	**(1,418,327)**	**(1,696,190)**	**(126,545)**	**(76,988)**	**(930,760)**	**(561,896)**
Net inflow / (outflow)			**(41,028)**	**(83,722)**	**(951,725)**	**(580,174)**

NOTE 25. FINANCIAL RISK MANAGEMENT (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 Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

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

Note 22(i) outlines the notional amount of interest rate swap contracts and the underlying hedged debt obligations. Interest rate swap contracts outlined in note 22, with fair value of $58,426,000 out of the money (2012: $63,222,000) are exposed to fair value movements if interest rates change.
At balance sheet date, the Company had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2013 $'000	2012 $'000
Financial Assets		
Cash and cash equivalents	**47,658**	75,002
Interest rate swaps	**5,322**	-
Cross currency swaps	**506**	-
	53,486	75,002
Financial Liabilities		
Cross currency swaps	**-**	3,471
Interest rate swaps	**-**	2,725
Subordinated shareholder loans	**131,109**	131,006
	131,109	137,202
Net Financial Assets / (Liabilities)	**(77,623)**	(62,200)

The Hedging Policy incorporated in the Treasury Policy prescribes the use of interest rate swaps to hedge minimum nominal principal amounts of senior debt for periods up to 5 years after balance sheet date. To manage this interest rate risk in a cost effective manner, PAPL enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to the agreed-upon notional principal amount. These swaps are designated to hedge underlying senior debt obligations.

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2013, after taking in to account the effect of these interest rate swaps, approximately 95% (2012: 89%) of the Company's drawn senior interest-bearing loans and borrowings is economically hedged at a fixed rate of interest, while 85% (2012: 104%) of the Company's drawn interest-bearing loans and borrowings is economically hedged at a fixed rate of interest.

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

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 2013, 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:

Judgments of reasonable possible movements:	EFFECT ON POST-TAX PROFIT INCREASE / (DECREASE) 2013 $'000	EFFECT ON POST-TAX PROFIT INCREASE / (DECREASE) 2012 $'000	EFFECT ON EQUITY INCREASE / (DECREASE) 2013 $'000	EFFECT ON EQUITY INCREASE / (DECREASE) 2012 $'000
+25 basis points	**(231)**	(98)	**9,349**	9,481
-25 basis points	**231**	98	**(9,473)**	(9,619)

The movements in post-tax profit is due to higher/lower interest costs from variable rate debt and cash and cash equivalents. The movement in other comprehensive income is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges (refer to note 22).
The sensitivity of derivatives has been based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve. The effect on other comprehensive income is the effect on the cash flow hedge reserve.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the year ending 30 June 2013, the Group's exposure to the risk of changes in foreign exchange rates relates to cross currency swaps (refer to note 22(ii), and the USPP (refer to note 19(d)). The Group is also exposed to foreign currency accounts payable transactions in the ordinary course of business for immaterial amounts.

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and AUD exchange rate, with all other variables held constant.

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

CHANGE IN US$ RATE	EFFECT ON PROFIT BEFORE TAX INCREASE / (DECREASE) 2013 $'000	INCREASE / (DECREASE) 2012 $'000	EFFECT ON EQUITY INCREASE / (DECREASE) 2013 $'000	INCREASE / (DECREASE) 2012 $'000
+1%	**(2,939)**	(4,204)	-	-
-1%	**4,152**	(2,613)	-	-

(iii) Estimation of fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements reasonably approximate their net fair values. The methods used in determining the fair values of financial instruments are discussed in note 1(u).

(iv) Fair Value Hierarchy

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

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs from other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

	QUOTED MARKET PRICE (LEVEL 1) $'000	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2) $'000	VALUATION TECHNIQUE – NON MARKET OBSERVABLE INPUTS (LEVEL 3) $'000	TOTAL $'000
30 June 2012				
Financial Liabilities				
Derivative financial instruments	-	63,222	-	63,222
30 June 2013				
Financial Assets				
Derivative financial instruments	-	**5,828**	**-**	**5,828**
Financial Liabilities				
Derivative financial instruments	-	**58,426**	**-**	**58,426**

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

There were no transfers between categories during the year.

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

NOTE 26. CAPITAL AND LEASING COMMITMENTS

(i) Capital Commitments

	2013 $'000	2012 $'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	**265,612**	94,366

(ii) Finance and Operating Leases

During the year ending 30 June 2013, the Company entered into three (2012: three) separate Board approved premium leasing transactions which resulted in two disposals of investment land with a carrying value of $13,973,000 (2012: $2,403,000) and the disposal of a ground lease with a carrying value of $66,000 (2012: $0)

NOTE 27. CONTINGENT LIABILITIES

(i) Native Title

The ability to claim for native title over airport land was extinguished in 2000 and hence no such claims can be made against the Company. Parts of Perth Airport (the Munday Swamp Bushland and Forrestfield Bushland) are listed on the Register of the National Estate. The Minister for Transport and Regional Services may approve development of land on the Register if he or she is satisfied that there is no prudent or feasible alternative to the development. As a result of changes that came into place from 1 January 2004, the Australian Heritage Council compiles and maintains the Register of the National Estate ("RNE").

In addition to the RNE, two other lists have been created. These are the National Heritage List ("NHL") and the Commonwealth Heritage List ("CHL"). The NHL contains places of exceptional national heritage value. No areas on PAPL land have been uplifted from the RNE to NHL. The CHL contains areas of heritage value that are owned or controlled by the Commonwealth. Two areas (Forrestfield Bushland and Munday Swamp and surrounding bushland) have been listed as indicative places.

NOTE 27. CONTINGENT LIABILITIES (CONTINUED)

(ii) BGC (Australia) Pty Ltd Litigation

On 25 January 2011, BGC applied to Perth Airport for approval to build a large steel framed shed on its leased property. On 20 April 2011, Perth Airport declined to give the approval sought by BGC for reasons including that the proposed shed was inconsistent with the Perth Airport Master Plan 2009, because it impacted on the extension of one of Perth Airport's runways and, among other things, the installation of High Intensity Approach Lighting for that extended runway.

On 13 May 2011, BGC commenced proceedings against Perth Airport in the Federal Court.
On 24 August 2011, BGC served an interlocutory application seeking orders that, among other things, the Minister for Infrastructure and Transport be joined as a party to the proceedings and the Minister was subsequently joined to the proceeding. In its application BGC claimed:

1. A declaration that upon a proper construction of the Airports Act 1996 (Cth), the power of the Minister to approve a final master plan does not extend to approving a plan which requires works to be undertaken which the airport lessee is unable to undertake by reason of the terms of the sub-lease granted by Perth Airport in accordance with the Act.
2. A declaration that in the events which have occurred, the Master Plan is invalid to the extent that it provides for HIAL to be constructed on land the subject of the sub-lease.
3. A declaration that the purported refusal by Perth Airport of consent to the application for building approval by BGC dated 25 January 2011 is invalid.
4. An order requiring Perth Airport to consent to BGC's application for building approval dated 25 January 2011.

On 20 June 2013 McKerracher J declined to make these declarations and order in favour of BGC and on 26 July 2013 ordered that the above four above claims be dismissed.

BGC also claims that Perth Airport represented to it that approval for the building would be given if certain conditions were met and that this representation was misleading and deceptive. BGC claims damages (which have not, as at the date of this report, been particularised) and declarations. Perth Airport has denied BGC's claims. This claim has not yet been heard.

(iii) Qantas Domestic Terminal Lease

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

NOTE 28. CASH FLOW INFORMATION

	NOTES	2013 $'000	2012 $'000
Reconciliation of net profit after tax to net cash flows from operations			
Profit from continuing operations after income tax		**267,405**	309,746
Adjustments for:			
Depreciation and intangible amortisation	3(c), 3(d)	**37,909**	29,797
Capitalised lease – operational land amortisation	13	**397**	395
Derivative valuation and borrowing costs		**(610)**	6,248
Finance costs – revaluation of USPP		**32,829**	-
Change in fair value of investment property	2(c)	**(250,406)**	(377,468)
Profit / (loss) on sale of infrastructure, plant and equipment	2(a)	**(27)**	(13)
Capital works in progress written off		**382**	91
		87,879	(31,204)
Changes in assets and liabilities			
Change in trade and other receivables		**7,866**	(21,414)
Change in other operating assets		**7,097**	(102)
Change in deferred tax assets	23	**(10,506)**	(10,886)
Change in deferred tax liabilities	23	**83,021**	117,781
Change in current tax liability		**9,593**	(8,907)
Change in deferred tax in equity	24(b)	**(2,090)**	13,494
Change in trade and other payables		**(2,828)**	16,230
Change in deferred revenue	21	**(6,491)**	(340)
Change in other provisions	18, 20	**835**	466
Change in interest-bearing liabilities		**6,394**	(13,720)
		180,770	61,398
Interest paid – interest rate swap reset costs		**-**	58,060
Interest paid		**85,245**	93,916
Net cash from operating activities		**266,015**	213,374

NOTE 29. EVENTS AFTER THE BALANCE SHEET DATE

The Financial Report has been prepared on the basis that the Group can continue to meet its commitments as and when they fall due, and can therefore realise assets and settle liabilities in the ordinary course of business.

Apart from the disclosure of the fixed income bond issuance per note 19(d), there are no matters or circumstances that have arisen since 30 June 2013 that have significantly affected, or may significantly affect:

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

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

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

NOTE 30. RELATED PARTY DISCLOSURE

(i) Key Management Personnel

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

(i.i) Executives

Executives who held office during the financial year were:

Brad Geatches - Chief Executive Officer

Victor Howard – Chief Financial Officer

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

Guy Thompson – Executive General Manager of Assets and Capital Works

Scott Norris – Executive General Manager of Commercial Services

Brian Krause – Executive General Manager of Aviation Business Development

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

Tony Brun – Executive General Manager of Integrated Planning (appointed 4 June 2013)

Charles Sullivan – General Manager of Assets (resigned 31 August 2012)

NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

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

	2013 $	2012 $
Total compensation		
Short-term benefits:		
Salary and fees	**2,276,157**	2,048,967
Bonus	**708,758**	680,670
	2,984,915	2,729,637
Other benefits:		
Long Term Incentive Plan	**888,306**	888,306
	888,306	888,306
Post-employment benefits:		
Superannuation contributions	**179,012**	333,233
Total	**4,052,233**	3,951,176

(i.ii) Directors

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

- Hastings Funds Management Ltd as the responsible entity for Australian Infrastructure Fund Pty Ltd – Mr Jeffrey Pollock (resigned 15 April 2013) and Ms Alexandra Campbell (resigned 15 April 2013),
- Utilities of Australia Pty Ltd as Trustee for Utilities Trust of Australia – Mr Ronald Doubikin (resigned 3 July 2013), Mr Richard Hoskins (resigned 3 July 2013), Mr Colin Atkin (appointed 31 July 2013) and Mr Matthew Lorback (appointed 31 July 2013),
- Utilities of Australia Pty Ltd as Trustee for the Perth Airport Property Fund - Mr Alan Good, Mr Richard Hoskins and Mr Matthew Lorback (appointed 31 July 2013),
- AustralianSuper Pty Ltd – Mr Lyndon Rowe and Ms Suzanne Findlay,
- Sunsuper Pty. Ltd. as trustee of the Sunsuper Infrastructure Trust 3 - Mr Tom Snow (appointed 28 November 2012) and Mr Michael Weaver (appointed 28 November 2012),
- Citicorp Nominees Pty Ltd as custodian for Commonwealth Bank Officers Superannuation Corporation Pty Limited as trustee for Commonwealth Bank Group Super - Mr Tom Snow (appointed 28 November 2012) and Mr Michael Weaver (appointed 28 November 2012),
- The Northern Trust Company (TNTC) in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of The Future Fund Board of Guardians - Dr Raphael Arndt (appointed 29 May 2013) and Ms Wendy Norris (appointed 3 July 13).

NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

(i.iii) Director's Remuneration Scheme

In the year ending 30 June 2005, the PAPL Board approved the implementation of a Director's Remuneration Scheme ("DRS"), which provides for payment of directors fees of $1 million per annum to directors appointed by shareholders in proportion to the respective shareholding of each shareholder in the parent entity (PADG). Directors that are independent are remunerated directly by the Company. The total amount paid to Directors for the year ended 30 June 2013 amounted to $1,056,000 (2012: $1,108,000).

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 2013 there was an amount of $149,000 (2012: $11,000) 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 2013 was 12.0167% (2012: 12.9350%), being BBSW of 4.0167% (2012: 4.9350%) plus a margin of 8%. The interest rate for the financial year ending 30 June 2014 has been set at 10.8683%, being BBSW of 2.8683% plus a margin of 8%. Interest on the subordinated shareholder loan is capitalised if not paid each quarter. A total of $16,122,000 (2012: $10,672,000) of interest was incurred during the year, while interest totaling $16,122,000 (2012: $10,672,000) was paid during the year.

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

As part of an additional capital raising, shareholders contributed an additional $nil (2012: $75,630,000) of subordinated shareholder loans on 13 December 2011 and 18 June 2012 (refer to note 19(xi). There were no principal repayments of the subordinated shareholder loan during the year (2012: nil).

(iii) Perth Airport Property Trust

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

NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

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 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 2013, PAPL received from PAPT ground rental income of $98,000 (2012: $96,000). 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 2013, PAPL received $135,000 (2012: $125,000 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 2013, PAPL received from PAPT recharged property service income of $878,000 (2012: $705,000). At 30 June 2013, there was $39,000 (2012: $38,000) of trade payables owing from PAPT to PAPL.

(iv) Other Related Parties

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

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

NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

(v) Ownership Interests

The ultimate Australian parent entity is Perth Airport Development Group Pty Ltd (PADG), which at 30 June 2013 owns 100% of the issued ordinary shares of PAPL. Transactions between PADG and PAPL for the year consisted of subordinated shareholder loans advanced by PADG, and also payments to PADG as the head entity of the tax-consolidated group, representing the current tax liability assumed by PADG. Aggregate amounts payable to PADG by PAPL at 30 June were as follows:

	NOTES	2013 $'000	2012 $'000
Income tax payable / (receivable)	1(r)(ii)	**2,479**	(7,115)
Subordinated shareholder loans	19	**131,109**	131,006
		133,588	123,891

(b) PADG is owned by the following shareholders:

	2013	2012
Hastings Funds Management Ltd as the single responsible entity for the Australian Infrastructure Fund (1), (5),	-	29.7%
Hastings Funds Management Ltd as the Trustee for the Infrastructure Fund (1), (7)	**4.3%**	4.3%
Utilities of Australia Pty Ltd as the Trustee for the Utilities Trust of Australia (2)	**38.3%**	38.3%
Utilities of Australia Pty Ltd as the Trustee for the Perth Airport Property Fund (2)	**17.3%**	17.3%
AustralianSuper Pty Ltd (3)	**5.0%**	5.0%
Commonwealth Bank Officers Superannuation Corporation Pty Ltd as trustee for Commonwealth Bank Group Super (4)	**3.2%**	3.2%
Sunsuper Pty Limited as trustee of the Sunsuper Infrastructure Trust 3 (6)	**2.2%**	2.2%
The Northern Trust Company (TNTC) in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of The Future Fund Board of Guardians (5)	**29.7%**	-
	100%	100.0%

(1) Hastings Funds Management Ltd is a wholly owned subsidiary of Hastings Management Pty Limited. Hastings Management Pty Limited is a wholly-owned subsidiary of Westpac Banking Corporation.

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

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

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

NOTE 30. RELATED PARTY DISCLOSURE (CONTINUED)

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

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

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

NOTE 31. COMPANY INFORMATION

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

Perth Airport Pty Ltd

Level 2, 2 George Wiencke Drive

Perth Airport, WA 6105

Australia

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

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

      (i) Giving a true and fair view of the financial position of the Company's and Group's financial position as at 30 June 2013 and of their performance for the financial year ended on that date; and

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

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

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

Signed in accordance with a resolution of the directors on 25 September 2013.

PERTH, WESTERN AUSTRALIA. 25 SEPTEMBER 2013

David Crawford CHAIRMAN

Ernst & Young
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Perth WA 6000 Australia
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INDEPENDENT AUDIT REPORT TO MEMBERS OF PERTH AIRPORT PTY LTD

Report on the financial report

We have audited the accompanying financial report of Perth Airport Pty Ltd, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

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

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Ernst & Young

Ernst & Young

R Kirkby

Partner

Perth

25 September 2013

PERTH AIRPORT PTY LTD
ABN 24 077 153 130
ACN 077 153 130

REGISTERED OFFICE
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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.

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