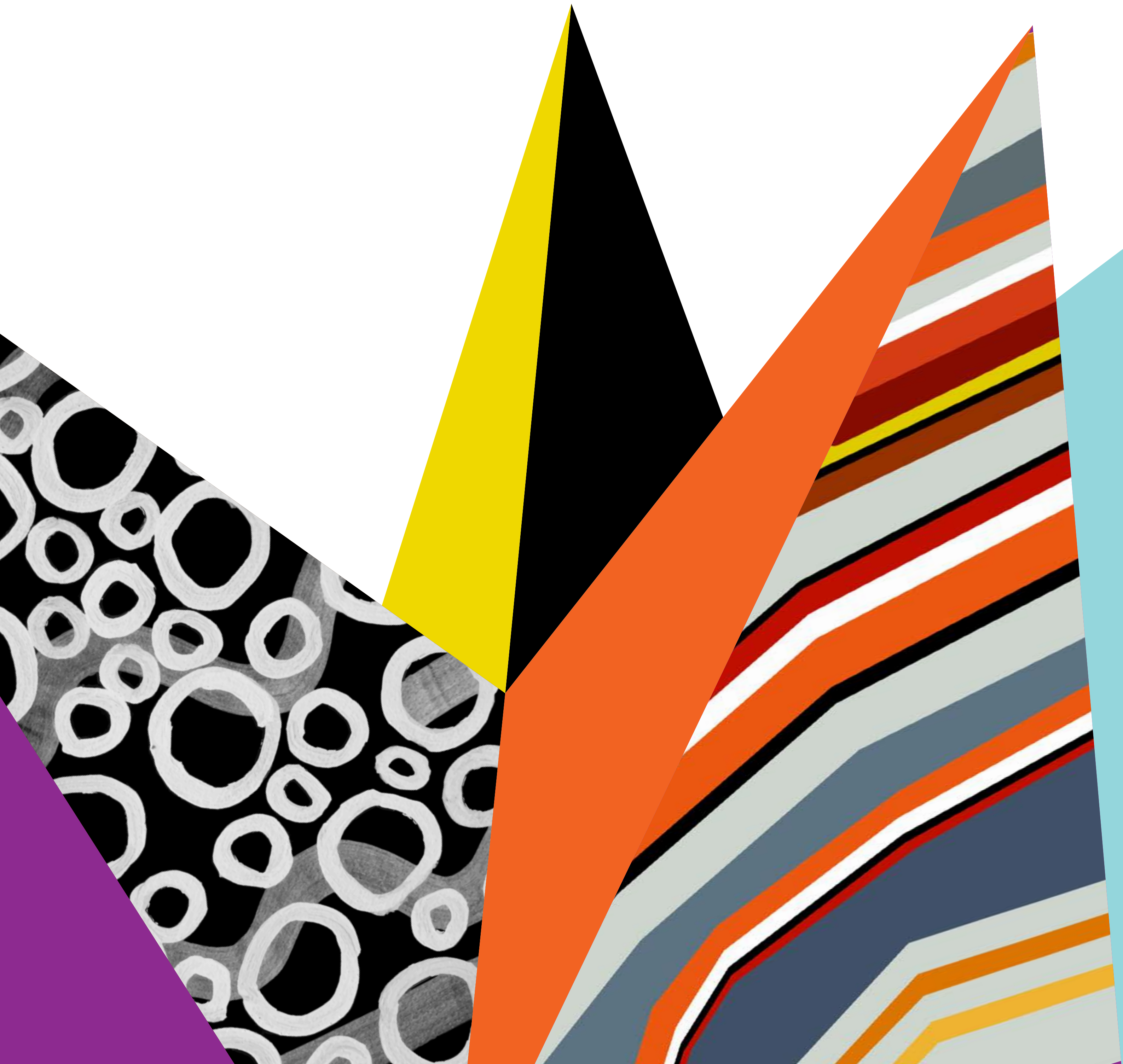
Perth Airport

Annual Report

2020–2021

We acknowledge the Noongar people as the Traditional Custodians of the land on which Perth Airport is located. We pay our respects to Elders past, present and emerging.



Contents

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

About Perth Airport

Perth Airport is Australia's Western Hub providing the people of Western Australia with a critical link to the rest of Australia and the world.

Pre-Covid, Perth Airport was serviced by more than 30 airline partners that operated to more than 50 destinations. It operates 24/7 and is one of the most important infrastructure assets in WA.

Western Australia's resources sector helps drive the economic growth of our State and Australia, creating jobs for tens of thousands of Western Australians and generating economic value and social and cultural benefits for our nation. The resources sector relies heavily on its Fly-in, Fly-out (FIFO) workforce. And those FIFO workers rely on Perth Airport to get them safely on their way to where they are needed and to help bring them home.

Perth Airport provides economic, social and cultural benefits for Western Australians by connecting people, business and communities, and providing support for local communities. It strengthens cultural, family and social bonds as well as supporting business, tourism and leisure travel.

Our commitment is to deliver the airport Western Australians need and deserve – an airport which provides the amenity, capacity and efficiency to give passengers a seamless, quality travel experience.

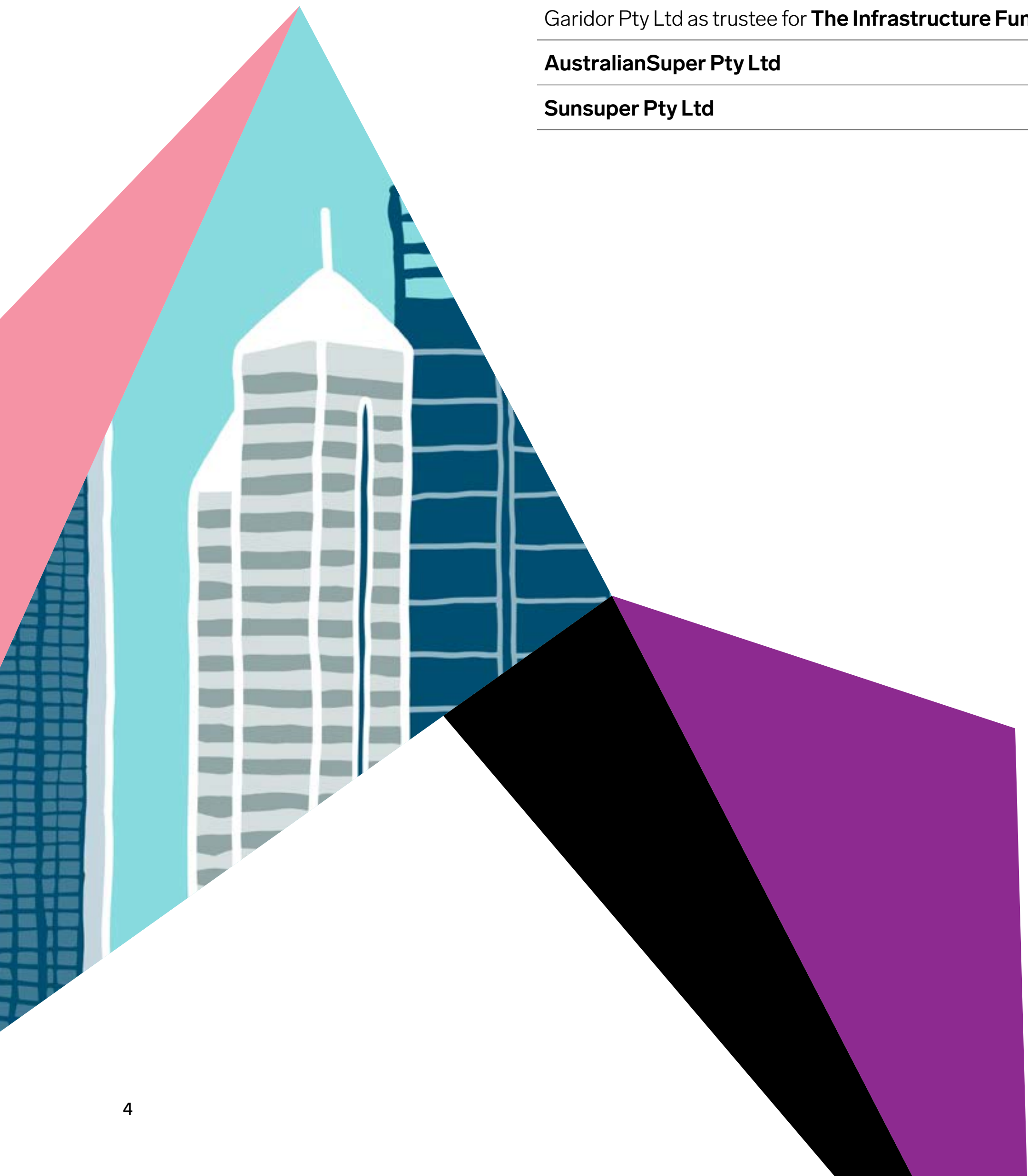
Our Values

We are one team delivering great service and keeping you safe. Being brave and thinking big, we embrace the future. We are creative, curious and continuously learning. We get things done!

Ownership

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

Shareholders of Perth Airport Development Group Pty Ltd	Percentage
Utilities Trust of Australia Pty Ltd ATF **Utilities Trust of Australia (UTA)**	38.26%
The Northern Trust Company (TNTC in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of **The Future Fund Board of Guardians (FFBG)**	30.01%
Utilities of Australia Pty Ltd ATF **Perth Airport Property Fund (PAPF)**	17.34%
Garidor Pty Ltd as trustee for **The Infrastructure Fund**	7.19%
AustralianSuper Pty Ltd	5.25%
Sunsuper Pty Ltd	1.95%



“Perth Airport is proud to have kept its promise to serve the people of Western Australia, keeping its runways and terminals operational despite the enormous financial and logistical challenges thrown up by the pandemic.”

Chairman's Message

The past year has been extraordinarily challenging for the aviation sector, both here in Australia and around the world.

Perth Airport has not been immune to the financial fallout of the Covid-19 pandemic and, as expected, our results show the full impact of international and interstate travel restrictions.

The Perth Airport Team has done a remarkable job in protecting our business while ensuring the safety of everyone who works in or travels through our airport.

The Board is extremely grateful for their sacrifices and hard work in keeping our terminals and runways operational.

The unity and persistence shown by the Perth Airport Team reflect the strong and considered leadership provided by our CEO Kevin Brown, his Executive and Senior Managers.

Perth Airport is proud to have kept its promise to serve the people of Western Australia, keeping its runways and terminals operational despite the enormous financial and logistical challenges thrown up by the pandemic.

Western Australia's strong economic performance throughout the pandemic has relied to a significant extent on the continued efficient and effective operations of Perth Airport.

I believe the airport is well-positioned to take advantage of the opportunities provided by an eventual re-opening of interstate and international borders.

The continued investment in new technology and projects to deliver improved services to our airline partners and passengers will help underpin that recovery.

We had achieved great success in building international capacity into Perth prior to Covid, working with government, industry, the university sector, exporters and tourism operators to deliver an additional 500,000 seats.

We will take that same methodical, cooperative team approach to re-building our markets post-Covid.

I would like to thank my fellow Directors for their support and contributions during these challenging times and our shareholders for their continued faith and confidence in the future of Perth Airport.

Perth Airport will play a crucial role in Western Australia's economic, social and cultural recovery from Covid-19. The community can be confident the Perth Airport Team will continue to rise to the challenge.

Lyndon Rowe
Acting Chairman

"As we move into FY22, I remain confident that our airport and our Team are ready to move into recovery as we re-open Western Australia to the rest of Australia and the world."

CEO's Message

For the Perth Airport Team, the Covid-19 pandemic has been defined by the three Rs – Reaction, Resilience, Recovery.

For our Team members, FY20 was the year of reaction to this new and unknown threat.

As the pandemic first hit in March 2020 and State and Federal Government travel restrictions had an immediate and brutal impact on the aviation sector, our Team mobilised quickly to react to the challenges we faced.

Fortunately, our years of regular emergency response exercises, our well-developed crisis management team processes, and our detailed Pandemic Response contingency plans stood us in good stead.

Our top priority was to ensure the safety of everyone who worked at or travelled through our airport. This involved the swift introduction of a range of measures such as physical distancing markers, health messaging and announcements in our terminals, additional intensive cleaning processes and the removal of human touchpoints in the passenger journey.

We also relocated the majority of our non-operational Team members safely and seamlessly to a work from home basis. We worked with our airline partners, tenants, retail and food and beverage operators to assist them with their efforts to ride out the Covid storm.

We also had to deal with the enormous challenge of ensuring the FIFO-based resources sector could remain operational, while also ensuring our terminals and runways remained open to service flights taking freight into and out of our State and allowing repatriation flights to bring Western Australians home safely.

We also needed to protect our business and took immediate and prudent steps to reduce our spending and limit our non-fixed costs.

I'm incredibly proud of the Perth Airport Team's immediate response and we could justifiably claim "mission accomplished" in that "Reaction" phase as we moved into FY21.

Resilience has been the hallmark of our FY21 performance.

Both the Western Australian economy and the national economy have relied heavily on the performance of our State's resources sector. And the resources sector has relied on Perth Airport to ensure its FIFO-based workforce could travel to their workplaces and then return home safely.

The contribution of the Perth Airport Team to WA and Australia's economic survival during Covid should not be under-estimated.

Around 5.8 million passengers – the majority of which would have been related to the resources sector – passed through our terminals in FY21, with no reported Covid breaches.

We also kept our own Team safe and once again recorded no Loss Time Injuries for any Perth Airport Team member.

With an eye to the future, we pushed ahead with several significant projects which we know will deliver greater efficiencies for our airline partners and an improved travel experience for passengers.

This included replacing the stairs in T1 International at Gates 52, 53 and 54 with a modern, efficient ramp set-up, with additional improvements through dual aerobridges to allow for quicker turnaround. We also finalised the installation of new self-service check-in counters in T1 International.

These investments – delivered at a time of significant financial stress – confirm our belief in the future of our airport.

I would like to thank our Board and our shareholders for their continued support and faith in our Team and our vision for Perth Airport.

Having shown such resilience throughout FY21, we look forward with renewed hope to FY22 being the year for the Recovery phase to begin.

We have maintained our close working relationships with our international airline partners, all of whom have been forced to either significantly reduce or suspend their services into Perth.

While not under-estimating the challenges we face to re-build post-Covid, we are well-placed to re-establish those connections.

The continued strong performance of the resources sector has seen demand for our existing runway system being at or near capacity during peak hours, despite the reduction of international and interstate flight numbers.

Once again, we have kept our eye on the future needs of our State and have pushed ahead with detailed design work for Perth's New Runway.

As we move into FY22, I remain confident that our airport and our Team are ready to move into recovery as we re-open Western Australia to the rest of Australia and the world.

Kevin Brown
CEO

Board of Directors

Mr Nev Power, Chair

BE (Mech), MBA, FIEAust, FIMMAu st, CP Eng

Term: On leave of absence between 30 April 2020 and 1 January 2021 to accept Chair role at National Covid-19 Coordination Commission). Returned as Chair from January 2021.

Mr Lyndon Rowe

BEc (Hons), FAICD

Term: Non-Executive Director appointed in August 2004. Acting Chair from 30 April 2020 – 1 January 2021.

Ms Elizabeth Albergoni

LLB, LLM (Hons)

Term: Non-Executive Director appointed in July 2018.

Mr Clive Appleton

BEc, MBA, FAID, AMP

Term: Non-Executive Director appointed in February 2014.

Ms Michelle D'Almeida

B.Bus and GAICD

Term: Non-Executive Director appointed in February 2021

Mr Steven Fitzgerald

BEc

Term: Non-Executive Director appointed in February 2014.

Ms Amanda McMillan OBE

CA

Term: Non-Executive Director appointed in January 2019.

Ms Wendy Norris

BAppSc (Hons), GAICD

Term: Non-Executive Director appointed in March 2021.

Ms Monica (Ryu) Williams

BA

Term: Non-Executive Director appointed in February 2021.

Executive Team

Mr Kevin Brown

Chief Executive Officer

MBA, MSc, BEng (Hons), CEng, FIET, GAICD

Mr Brian Pereira

Chief Financial Officer

BCom, CA, GAICD

David Eden

Chief Projects and Development Officer

B.AppSci.(Con Mgt), FAIB

Steve Holden

Chief Property Officer

BSc, MRICS, GAICD

Ms Kate Holsgrove

Chief Commercial Officer

MBA

Scott Woodward

Chief Operating Officer

MBA

COVID-19

Despite the devastating effects of Covid-19 on the aviation industry, Perth Airport remained operational 24/7 to service FIFO and freight services that were so critical to our State's economy, as well as repatriation flights for Australian citizens and permanent residents returning home.

Safety and security remained our highest priority during the year, and we continued to support the Federal and State governments' travel restrictions to prevent the spread of Covid-19.

There were high expectations that the pandemic's impact would not extend into 2021, however, the reality of ongoing outbreaks across Australia and WA's border remaining predominantly shut to the rest of Australia, meant that this was not the case.

Caps on international arrivals and constant changes to State borders meant that international and domestic passenger numbers were exceptionally low comparative to previous years.

In contrast, intrastate passenger numbers remained solid, reflecting the strength of the FIFO-based resources sector and the fact that many Western Australians chose to holiday at home due to international travel restrictions and concerns about interstate border closures. In fact, Perth Airport recorded its highest June regional passenger numbers on record, with 408,818 regional passengers travelling.

Terminal 1 Domestic was closed in April 2020 with Virgin Australia domestic services relocating to Terminal 2 due to the high fixed costs of running the terminal with very few passengers. Terminal 1 Domestic re-opened to facilitate interstate Virgin Australia passengers in December 2020 to coincide with the easing of some interstate border restrictions.

Terminal 1 International was used primarily for flights bringing Australian citizens home until April 2021 when the New Zealand travel bubble commenced, allowing quarantine-free travel between WA and New Zealand. Unfortunately, the travel bubble burst in July 2021 due to renewed Covid outbreaks and no further green zone flights took place.

Prior to the Covid-19 outbreak, Perth Airport had 61 retail and food and beverage outlets operating across its international and domestic terminals.

International and interstate border restrictions saw those numbers plummet with 52 outlets closing and many of the remaining ones operating on significantly reduced hours and passenger volumes. Perth Airport worked closely with its retail and food and beverage partners to assist them through this difficult period and to maintain and acceptable level of service and convenience for passengers.

Perth Airport continued to roll out Covid-safe initiatives and practices through its car parks and terminals to keep passengers and workers safe during this time.

In October 2020, Perth Airport became the first Australian airport to be awarded an international "Airport Health Accreditation" - a global scheme launched by the Airport Council International to ensure Covid-safe practices are robust and consistent around the world.

This accreditation examined critical areas such as cleaning and disinfection, passenger flows, security screening, physical distancing, and emergency processes.

Our Team moved quickly at the outbreak of the pandemic to completely review all our practices and the customer journey from car parks through our terminals and on to their flights, and the reverse trip for arriving passengers.

New wave technology was introduced to allow motorists to enter our car parks without having to touch the entry/exit and pay machines.

The majority of our major projects were put on hold due to the financial impact of the pandemic, although design and approvals work continued with an eye to the future.

Throughout the year, there were glimmers of hope when state border restrictions were eased, and domestic quarantine-free travel was permitted. These give us hope that once WA and the other States and Territories reach the desired level of vaccination that travel will resume, and passenger numbers will grow and Perth Airport will be ready to provide a Covid-safe travel experience.

Perth Airport continued to roll out Covid-safe initiatives and practices through its car parks and terminals to keep passengers and workers safe during this time.

Passenger Snapshot

5.8m

Passengers passed through Perth Airport

110,963

International passengers

1,342,579m

Interstate passengers

4,436,383m

Intrastate passengers

(Note: General Aviation passenger figures have been included in all passenger figures as of FY19)


ernational departures

Financial Snapshot

FY 2021

$130.9m

Operating profit

$291.3m

Total revenue

FY 2019 – PRE COVID

$353.9m

Operating profit

$523.8m

Total revenue

($64.5m)

Net loss

$101.2m

Capital expenditure

$171.2m

Net profit

$71.1m

Capital expenditure

2021 Highlights

Perth Airport became the first Australian airport to receive a Covid-safe Airport Health Accreditation, in conjunction with the Airport Council International.

The Federal Government approved Perth's New Runway project in November 2020

Major upgrade to the Airport Management System in partnership with Veovo to streamline airline and ground handler flight management processes.

Tenancy occupancy rates were maintained at 99 per cent

Perth Airport team members recorded zero Lost Time Injuries (LTIs)

The Common User Self Service Project was completed in T1 International check in

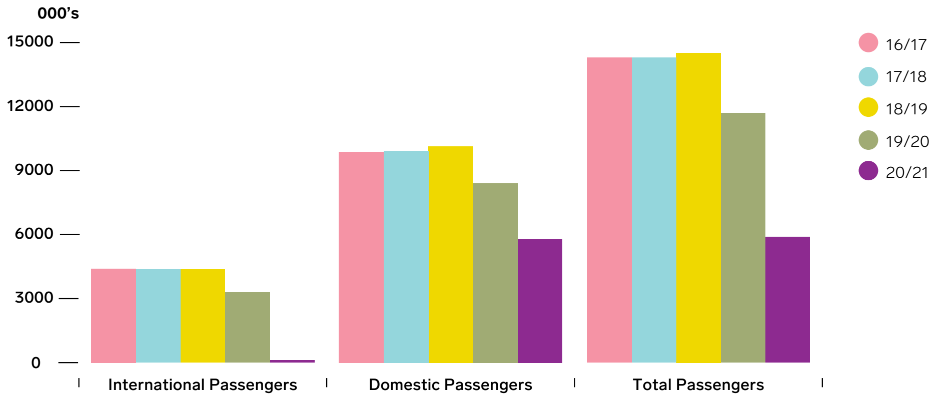
The International Gate Upgrade Project was completed in T1 International

In June 2021 Perth Airport recorded its highest June regional passenger numbers on record, with 408,818 regional passengers.

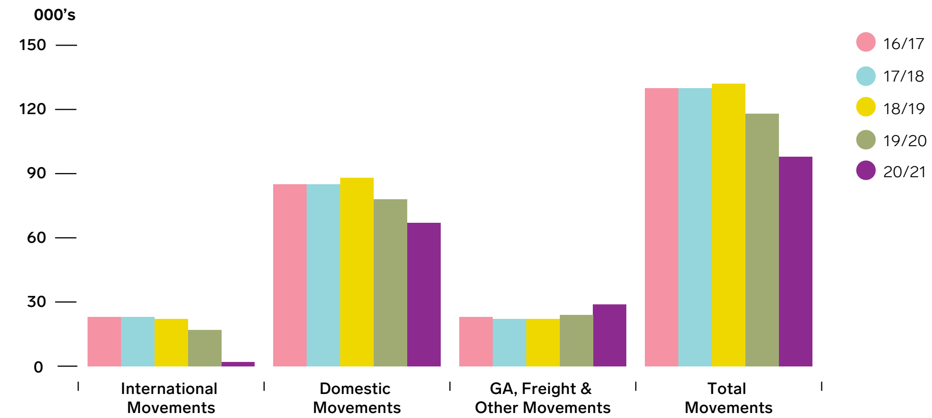
Perth Airport commits to being carbon neutral by 2030

Our Stats

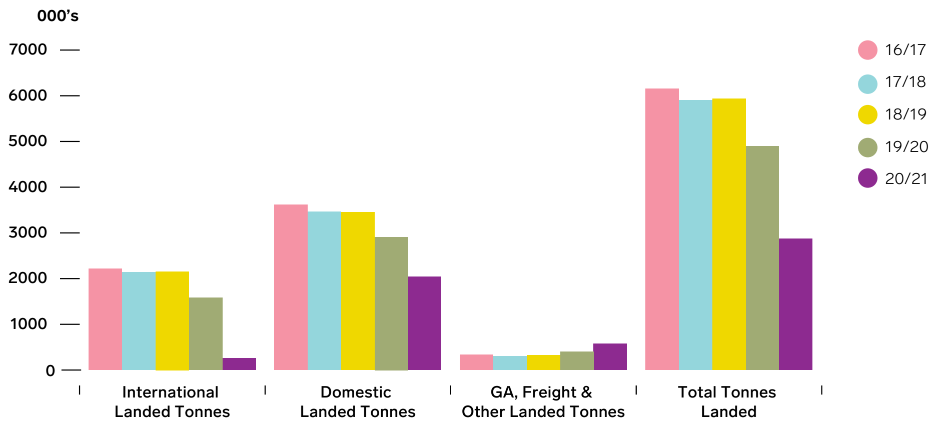
Five Year Comparison for International and Domestic* Passengers
Source: PAPL



Five Year Comparison for Total Airport Movements
Source: PAPL



Five Year Comparison for Total Landed Tonnes
Source: PAPL



* (Domestic passengers include Interstate, Regional and General Aviation passengers)

The upgrade delivers greater efficiency for our airline partners and a vastly improved boarding experience for passengers when international travel returns.

Our Business

INFRASTRUCTURE

Perth's New Runway

In November 2020, the Federal Government approved the Major Development Plan (MDP) for Perth's New Runway project.

The need for a second parallel runway at Perth Airport was first identified in 1973 and has been included in Perth Airport Master Plans dating back to the 1980s.

The draft MDP involved years of engagement with airline partners, stakeholders and all levels of government on a range of issues including aviation operations, airspace management and flight corridors, aircraft noise, heritage and environmental issues.

The draft MDP process also included one of the largest ever community consultation efforts for a major project in Western Australia, including contacting more than 300,000 homes and businesses.

It is estimated that the project would see $520million of investment with almost 500 jobs created during construction.

Despite the impact of Covid-19 on international and interstate flight numbers, Perth Airport's runways were still near or at capacity during peak periods, highlighting the importance of this project.

The new runway will underpin the future operations of the airport and provide airlines the opportunity to grow and expand their route network. It is expected to inject around $2 billion into the tourism sector in its first two decades of operation.

Terminals & Projects

The Common User Self Service (CUSS) Project was completed in 2020 which converted 16 existing check-in counters in Terminal 1 International into 36 self-service kiosks. The impressive technology features passport readers and boarding pass/bag tag printing capabilities and 16 automated bag drops. The kiosks also have the capability of biometric reading.

The International Gate Upgrade Project

In June 2021 Perth Airport completed the $36m project which replaced the stair boarding process at Gates 52, 53 and 54 with new ramps and lifts.

The upgrade delivers greater efficiency for our airline partners and a vastly improved boarding experience for passengers when international travel returns.

The project also replaced the single head aerobridges with dual head aerobridges which will facilitate faster turnaround times and an improved product for airlines operating from those gates.

Airport Management System upgrade

Perth Airport delivered a new operational system in 2020 to streamline airline and ground handler flight management processes.

The project focused on improving operational performance and agility by using trusted data, analytics and intelligent automation to coordinate decision making across the airport, for every flight, every day.

The new system provides our airline partners and their handlers seamless and timely information, real time flight updates and the opportunity for increased collaboration between the airport and its users.

Safety & Security

Perth Airport places the highest priority on ensuring the safety and security of our Team, passengers and anyone who works in our terminals or on our estate.

We maintained our exceptional safety record in FY21 with zero Lost Time Injuries (LTIs) as well as zero Medically Treated Injuries (MTIs) for Perth Airport Team members.

During the pandemic, despite reduced passenger numbers in our terminals, it was still critical to maintain our security operations. We worked with our security contractors to scale resources up and down to meet demand and the constant changes in border closures.

During this period, the team also completed the passenger screening point design for our security equipment enhancement project and introduced technology such as mobile card readers at vehicle gates and an online booking system to our Airport Services Office which passed on efficiencies to our Airport stakeholders.

A series of emergency exercises was also conducted during FY21 to ensure all relevant teams were working towards the same Emergency Management Framework.

AVIATION MARKETS

FY21 was like no other for aviation. A full year of Covid-related restrictions, arrival caps, border closures and 14 days hotel quarantine requirements resulted in significant impacts to the airlines at Perth Airport.

Our Aviation Business Development Team's focus for the year was stakeholder engagement with incumbent airlines while still reaching out to new potential airline partners for a post-Covid recovery.

International traffic was down 96.6 per cent, domestic interstate traffic was down 69.4 per cent and intrastate traffic was up 10.8 per cent when compared to FY20.

In June 2021, Perth Airport recorded the highest monthly regional (intrastate) passenger numbers on record, eclipsing the record set at the start of the mining boom in 2013.

Virgin Australia increased services to Brisbane from 17 to 24 return flights per week in October and Qantas announced a new Perth-Hobart service from 14 November 2020 with additional services over Christmas.

With so much uncertainty around international and domestic RPT services, freight and logistics became increasingly important over the year. The top freight exports (by tonnes) from Perth were meat, seafood, fruit and heavy machinery.

Vital oxygen and medical supplies were also transported in partnership with the Indian Consul General of Perth and business leaders via the Indian Air Force.

Whilst it was reported that more than 45,000 Australians were seeking to return home, over 7,000 empty seats arrived in Perth each week due to the limitations of the international arrivals cap and WA's hotel quarantine system. Throughout the year, the international arrivals cap was reduced from 1050 passengers per week to just 265 passengers per week.

A number of repatriation or special mission charters flew into Perth. These were with Malindo Air, Sri Lankan Airlines, Myanmar Airways International, Garuda Indonesia, Air Mauritius, Mongolian Air, Qantas, Air Vanuatu and El Al.

There were also new airline arrivals into Perth operating as freight services including the Indian Air Force, Silk Way West, Xiamen Air, Cebu Pacific and JAL.

PROPERTY

Despite the continuing Covid pandemic, FY21 was a successful period for the property business.

Perth Airport's property portfolio maintained an occupancy rating of 99.8 per cent and Weighted Average Lease Expiry of 5.1 years.

Four new developments were approved by the Board during the year. These included:

- Two new industrial developments were delivered for Westrac
- Hybrid Energy Systems committed to a new design/construct workshop which is currently under construction
- Existing tenant Cummins entered into a formal agreement for the development of an adjacent warehouse to complement their current business.
- Airport West (South) development saw approval for Neighbourhood Shopping Centre with Woolthworths as the anchor tenant. Located next to the DFO and within walking distance of Redcliffe station, the development is expected to be completed in mid-2023.

The exposure draft of the Airport North major development plan was also submitted to key stakeholders for review.

RETAIL

Perth Airport continued to work with its retail partners to develop high quality retail and food and beverage offerings across the terminals in FY21, despite the significant challenges of restrictions and border closures which impacted passenger numbers.

The majority of outlets within Terminal 1 International closed during the FY, with only Dufry (duty free) remaining operational for outbound flights only, along with a small number of food and beverage outlets. With Terminal 1 Domestic also closed for a number of months, all outlets within this terminal were closed, with most re-opening from January 2021.

Despite these challenges, a number of new outlets opened across the other domestic terminals including Common Bar and Kitchen (Terminal 4), Pronto by Machinetta (Terminal 4), Little Creatures (Terminal 3) and Long Shot (Terminal 2) during the year.

In May 2021, works commenced to develop the first independently operated lounge for domestic travellers. Located in Terminal 2, Perth Airport partnered with Swissport to develop the Aspire Lounge which is open to all passengers travelling through Terminal 2, offering food and drink, digital magazines and newspapers, charging facilities and Wi-Fi. The T2 Aspire Lounge opened in July 2021.

GROUND TRANSPORT

We continued to offer a long stay parking options for visitors with four hours in any Long term car park just $10. This offer is available to drive up vehicles that stay for more than one hour but exit before four hours. We also continued to offer one hour free in any Long Term Car Park.

We introduced reduced rate hourly parking in our Short Term car parks for customers who book in advance and continued to offer a free 10 minute period in all Short Term car parks.

The special deal offering 99 days for $99 that was introduced to support the FIFO work force in FY20 was extended and will continue until 2022.

This offer has been expanded and is now available in Long Term B, C, D, Long Term H and the General Aviation car parks to assist workers on longer swings.

This offer has also been popular with WA residents 'holidaying at home' due to border restrictions

As a response to Covid-19, our Ground Transport team delivered a new "frictionless" or touch-free experience for passengers who drive-up as well as those who book their parking on-line.

CUSTOMER EXPERIENCE & MARKETING

In FY 21, the Australian Competition and Consumer Commission monitoring report was published in a reduced format but still acknowledged that Australia's major airports, including Perth Airport, remained in a world of financial pain due to Covid-19 and that this was likely to continue for some time.

Perth Airport continued to be the busiest airport in Australia, and we were able to progress a number of initiatives to improve the passenger experience.

Construction started on two new Service Animal Relief Areas (SARA) in Terminal 1 and Terminal 4 to make it easier for passengers travelling with an assistance animal. The spaces were designed and developed in conjunction with Perth Airport's Access and Inclusion Customer Reference Group.

The road network signage upgrade was also completed across the estate to improve customer wayfinding.

Perth Airport's digital platform continued to grow during the period with 4.8m visitors to the website and more than 50.6m pages of content read over the year.

Our social media platforms also grew during this time with 62,000 Facebook followers with a reach of over 7.2m and 11,900 Instagram followers with 838,000 impressions. Our LinkedIn profile grew by 23 per cent to 9820 followers.

In May 2021, works commenced to develop the first independently operated lounge for domestic travellers.

Our People

Perth Airport employed an average of 259 people over the year. The workforce was comprised of:

39%	61%	63%
Females	Males	are 30 to 50 years

Wellness

Our wellness program continued to be well received by our team, with 12 unique events over the year focussing on the four pillars of wellness; Mental, Physical, Social and Financial Wellbeing. Additional support for Mental wellbeing was offered through our Employee Assistance Program partners and our Peer Support Program.

Leadership Development

PAPL's inaugural Women in Leadership program supported six women through a year-long development program. The company also implemented a formal internal Mentoring Program with 21 team members involved in the program.

Contractors

27 Contractors worked on site in FY21 to support the work we do at Perth Airport. This number is significantly lower than in previous years due to the impacts of Covid-19 on the business.

Organisational Culture

Perth Airport's annual employee voice survey showed a high level of overall employee satisfaction with 82 per cent overall satisfaction with Perth Airport as the employer.

Learning and Development

40 managers and senior leaders took part in one-on-one coaching as part of the leadership development program, and we partnered with AIM WA which allowed all our team members access to more than 140 training programs. We also progressed with enhancements to our Learning Management System, supporting on-demand, web-based learning for team members and online inductions for external partners.

Diversity and Inclusion

As part of our commitment to ensuring a workforce representative of the community we serve, we have commenced delivery of our Innovate Reconciliation Action Plan (RAP), joined the Diversity Council of Australia (DCA) and completed the DCA's Biennial Inclusion at Work survey.

2020/2021	Perth Airport	Contractor
Annual Hours	510,299	862,936
Number of Lost Time Injuries	0	0
Lost Time Injury Frequency Rate*	0.00	0.00
Number of Medically Treated Injuries	1	2
Medically Treated Injury Frequency Rate	1.96	2.32
Total Recordable Injury Frequency Rate	1.96	2.32

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

Our Community

COMMUNITY PARTNERSHIPS

Perth Airport has a long-standing and proud tradition of supporting the people of Western Australia through a range of memberships, donations, and sponsorships under our Community Support Program.

Unfortunately, during the Covid pandemic, Perth Airport's Community Support Program was reduced due to the significant financial impact to our business and as a reflection of a reduced number of community-based events due to physical distancing requirements.

Due to most community and school events on hold, the Community Boost, Community Active and Perth Airport Local Schools programs were also partially/fully suspended.

We were thankfully able to continue with our Surrendered Items Auction throughout the year, which saw surrendered and lost property items found in the terminals auctioned with proceeds going towards our partner charities.

Despite parts of the program placed on hold, the following organisations were supported during the year.

Foodbank WA

Sponsorship of the Perth Airport School Fruit Van which visits 75 schools in the metropolitan area during school term

Lifeline WA

Funding the training of two Telephone Crisis Support Volunteers through the Lights for Lifeline campaign

Ronald McDonald House

Supporting the Adopt a Room program by sponsoring room 404

Telethon

Donation to WA's most iconic children's charity fundraiser

Telethon Speech & Hearing Foundation

Eight scholarships to families located in close proximity to Perth Airport

COMMUNITY CONSULTATION

Throughout the year, Perth Airport undertakes a range of initiatives to achieve effective community engagement on airport matters. During the pandemic, some of our initiatives were impacted due to lockdowns, however we were able to maintain the following meetings, with some restrictions in place.

Perth Airport Community Forum (PACF)

Provides the opportunity for all members of the community to meet with Perth Airport team members and ask questions. The PACF is held quarterly at different locations, in close proximity to Perth Airport.

Planning Coordination Forum

Supports effective engagement between Perth Airport and Commonwealth, State and Local government agencies on strategic planning issues, including land use and aircraft noise impacts.

Perth Airport Consultative Environment and Sustainability Group

Comprises representatives from Perth Airport tenants, Commonwealth, State and Local government agencies, and community-based environmental groups.

INDIGENOUS ENGAGEMENT

Our relationship with Aboriginal people seeks to respect and recognise the heritage values of the Perth Airport estate and to make a positive contribution to the Aboriginal community of Western Australia.

The land on which Perth Airport is located forms part of the traditional network of communication routes, meeting places and camping sites of the Noongar people. As the Traditional Custodians of the land, the Noongar people maintain a strong interest in the Perth Airport estate and its management.

In FY21, we proudly continued our engagement through:

Regular meetings with the Aboriginal Partnership Agreement Group (PAG) to discuss issues related to airport development, conservation management and ongoing support for cultural awareness activities

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The Perth Airport Aboriginal and Torres Strait Islander Scholarship (two available) valued at $15,000 for tertiary students at Edith Cowan University

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Associate membership of the Western Australian Indigenous Tourism Operators Council (WAITOC)

Development of our inaugural Reconciliation Action Plan which will be launched in early FY22

Our Environment

Perth Airport is committed to protecting the environment though our Environment, Social, People and Governance (ESPG) Framework and the environmentally sustainable operation of the airport.

Perth Airport incorporates our Airport Environment Strategy, Environmental Management System and ESPG Framework to develop objectives and targets to ensure we achieve a high standard of environmental management. These, accompanied by our risk-based approach to environmental management, inform the basis of our decision making and key program implementation.

In 2021, implementation of the five-year Environment Strategy (2020-2024) as per our approved Master Plan 2020 continued, with work occurring to progress initiatives across a range of areas including environmental management, soil, groundwater and surface water, biodiversity, carbon and energy, water and waste, air quality, noise, contamination and Aboriginal heritage.

With regard to sustainability, our 2020 GRESB results assessing our ESG (Environmental, Social and Governance) performance indicate substantial improvement over last year's overall result.

We continued to develop our sustainability approach and completed preliminary studies and audits in waste management, water use and energy consumption. These studies are planned to be incorporated into operational plans and initiatives in the coming period to support continued improvement and efficiency in sustainable operations and development across the estate.

A comprehensive analysis of Perth Airport's current greenhouse gas emissions profile was completed and draft 'science based' targets for Scope 1 and 2 emissions were determined as well as corresponding renewable energy opportunities. The newly endorsed emission reduction target to achieve carbon neutrality by 2030 will now be incorporated into Perth Airport's existing carbon management plan.

Perth Airport is Level 2 accredited by the Airports Council International (ACI) as part of our Airport Carbon Accreditation. To achieve this, we measured our carbon footprint and have a targeted Carbon Management Plan to reduce this footprint. Increasing solar power on the estate is one key area of focus.

Extensive studies in relation to environmental impacts, controls and improvements were completed in association with major project approvals lodged with regulatory agencies. These studies included environmental impact assessments pertaining to flora, vegetation, fauna, hydrology, wetlands and heritage.

ENVIRONMENTAL MANAGEMENT AND COMPLIANCE

Annual environment reporting and compliance requirements were met and there were no significant environmental incidents reported. Perth Airport is undertaking work to improve and upgrade its Environmental Management System in line with ISO14001:2015 requirements and has commenced the review and update of the Environmental Management Framework required in the Environment Strategy and Master Plan.

WATER USE

Perth Airport remains compliant with its Water Efficiency Management Plan and has embarked on a significant revision of its management approach and engagement with Water Corporation to transition to a Water Efficiency Action Plan. With this approach, we will continue to focus on efficiency improvements while widening engagement to key airport tenants and water users on the estate.

STAKEHOLDER CONSULTATION

Perth Airport continued to operate our Airport Consultative Environment and Sustainability (ACES) forum, with quarterly meetings held with key airport stakeholders including tenants, Local Government, State Government and the Airport Environment Officer (AEO) to discuss and consult on environment, sustainability and heritage matters pertinent to the airport.

ENVIRONMENTAL MONITORING NETWORK

Environmental monitoring was completed in compliance with Perth Airport's monitoring schedule for surface water and ground water across our extensive monitoring network, with reports provided to the relevant regulatory agencies. Perth Airport completed investigations in 2021 to expand environmental monitoring to include air quality and noise factors.

PROJECT AND TENANT MANAGEMENT

The tenant auditing program continued with 41 tenants undergoing audits based on existing performance and risk profile. Perth Airport is continually reviewing performance in this area to ensure tenant environmental management is effective and meets required compliance obligations.

CONTAMINATION MANAGEMENT

Perth Airport monitors and manages contamination on the airport estate in accordance with relevant regulations and guidelines. While PFAS contamination is a result of historical firefighting practices and remains the responsibility of the Federal Government through Airservices Australia, Perth Airport continues its significant focus and efforts to improve PFAS management across the estate. In support of this, Perth Airport has commenced development of a PFAS Management Plan and has converted the Northern Main Drain PFAS treatment trial to a permanent facility following the successful completion of the research and trial period.

Financial Statements

Directors' Report

The directors present their report together with the annual report of Perth Airport Development Group Pty Ltd ("PADG" or "the Company") for the financial year ended 30 June 2021 and the auditor's report thereon. The financial report complies with International Financial Reporting Standards as disclosed in note 1(b)(ii).

The consolidated annual report of Perth Airport Development Group Pty Ltd comprises the financial report of Perth Airport Development Group Pty Ltd and its 100% Australian resident subsidiaries Perth Airport Pty Ltd ("PAPL") and Perth Airport Development Group Investments Pty Ltd ("PADGI"), which forms the consolidated entity ("the Group"). The consolidated financial report complies with International Financial Reporting Standards as disclosed in note 1(b)(ii).

Directors

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

Ms Amanda McMillan

Mr Clive Appleton

Ms Elizabeth Albergoni

Mr Justin Ginnivan (resigned 24 February 2021)

Mr Lyndon Rowe (acting chair to 1 January 2021)

Mr Malcolm Skene (resigned 29 January 2021)

Mr Neville Power (Chair) (leave of absence 1 July 2020 to 1 January 2021)

Ms Rhoda Phillipo (alternate director, resigned 24 February 2021)

Mr Steven Fitzgerald

Ms Wendy Norris (appointed 26 March 2021)

Ms Monica (Ryu) Williams (appointed 24 February 2021)

Ms Michelle d'Almeida (appointed 24 February 2021)

Company Secretary

Mr Gregory Jacobson

Corporate Structure

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

Review of Operations

Operating loss after tax for the financial year is $64,474,000 (2020: profit of $56,669,000). Earnings before interest, depreciation and amortisation (EBITDA) for the financial year was $130,866,000 (2020: $197,793,000).

As at 30 June 2021, the Company held cash and cash equivalents of $44,064,000, and a net current asset position of $21,662,000. The Company's financial position as at 30 June 2021 is supported by the committed, undrawn debt facility of $673,000,000.

Directors' Report
(continued)

Nature of Operations and Principal Activities

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

Dividends

There was no ordinary dividend declared and paid during the year ending 30 June 2021 as the company introduced a distribution holiday for FY20 and FY21.

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

Share Options

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

Aboriginal Heritage Regulation

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

- Aboriginal Heritage Act 1972 (State)

Environmental Regulation

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);
- *Aboriginal Heritage Act 1972*;
- *National Environment Protection Measures (Implementation) Act 1998*.

1. Airport Environment Strategy

The Perth Airport Environment Strategy as part of the 2020 Perth Airport Master Plan, received the approval of the Minister for Infrastructure and Regional Development on 2 March 2020 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 Communications in October 2020 in fulfilment of the requirements under the Airports (Environment Protection) Regulations 1997. This report included a summary of environmental incidents which had potential to impact the quality of air, water, land and vegetation in the airport precinct and an account of the actions undertaken in the implementation of PADG's Environmental Management Framework.

National Pollutant Inventory (NPI), National Greenhouse and Energy (NGER) and Australian Bureau of Statistics Environment Indicators Survey reporting was undertaken, and reports submitted as required in September and October 2020.

Directors' Report
(continued)

3. Land Development Approvals

All development approvals initiated in the year ending 30 June 2021 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 or the National Environment Protection Measures (Implementation) Act 1998. A non-compliance was noted under a Part 13 permit within the *Environment Protection and Biodiversity Conservation Act 1999*, although PAPL subsequently provided additional information in response to this non-compliance seeking reconsideration of issues raised. No feedback was received to date from Department of Agriculture, Water and Environment in response to the information provided by PAPL.

5. Dangerous Goods

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

6. Incidents

PADG recorded a number of minor environmental incidents occurring at Perth Airport during the year ending 30 June 2021, none of which were assessed as having serious consequences and/or long-term impact on the environment.

7. Board Reporting

The Board receives regular reports on compliance with environmental requirements.

Security Management

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

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

Directors' Report
(continued)

Occupational, Safety and Health Management

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

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

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

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

Risk management

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

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

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

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

Non-audit services

During the year, the Company's auditor Ernst & Young performed certain other services in addition to their statutory duties. This is outlined in note 5 and forms part of the Directors' Report for the year ended 30 June 2021.

Rounding off

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

Significant Changes in the State of Affairs

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

Directors' Report
(continued)

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' Report.

Indemnification of Auditor

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

Matters Subsequent to the End of the Financial Year

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

Signed in accordance with a resolution of the Board of Directors on 29 September 2021.

Michelle d'Almeida

Director

Perth, Western Australia
29 September 2021

Ernst & Young
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Auditor's independence declaration to the directors of Perth Airport Development Group Pty Ltd

As lead auditor for the audit of the financial report of Perth Airport Development Group Pty Ltd for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Darren S Lewsen
Partner
29 September 2021

DL:AJ:PERTHAIRPORT:017

Corporate Governance Statement

A description of the Company's main corporate governance practices is set out below. To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The Board of Directors

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

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

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

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

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

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

The responsibilities and functions of the Board include:

- In relation to the position of Chief Executive Officer (CEO) - appointing, evaluating performance, setting remuneration and succession planning.
- In relation to Key Management Personnel (KMP) - 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.
- Oversight of the Company's key and strategic risks, the Company's risk management framework and systems of risk management control 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.

Corporate Governance Statement
(continued)

- Ensuring a focus on long-term value creation and recognition of the importance of engagement with stakeholders and community expectations.
- Enhancing and protecting the reputation of the Company.

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

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

Matters which are specifically reserved for the Board include:

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

Composition of the Board

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

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

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

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

Consolidated statement of financial position

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		**44,064**	230,600
Trade and other receivables	7	**109,550**	102,701
Prepayments		**2,836**	2,824
Other financial assets	8	**26,692**	24,591
Total Current Assets		**183,142**	**360,716**
Non-Current Assets			
Capitalised lease - operational land	9	**123,921**	120,357
Investment property	10	**1,322,257**	1,351,442
Infrastructure, plant and equipment	11	**1,356,724**	1,352,644
Goodwill	12	**443,598**	443,598
Other intangible assets	12	**36,459**	25,454
Derivative financial instruments	16	**52,099**	236,919
Prepayments		**3,972**	4,841
Total Non-Current Assets		**3,339,030**	**3,535,255**
Total Assets		**3,522,172**	**3,895,971**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**150,886**	133,770
Employee benefit liabilities	14	**5,286**	4,811
Interest-bearing loans & borrowings	15	**-**	549,434
Deferred revenue		**2,037**	2,220
Income tax payable		**3,271**	1,792
Total Current Liabilities		**161,480**	692,027
Non-Current Liabilities			
Employee benefit liabilities	14	**504**	429
Interest-bearing loans & borrowings	15	**2,111,424**	1,880,327
Deferred revenue		**19,039**	25,591
Derivative financial instruments	16	**172,255**	129,382
Deferred tax liabilities	17	**323,887**	370,587
Total Non-Current Liabilities		**2,627,109**	2,406,316
Total Liabilities		**2,788,589**	3,098,343
Net Assets		**733,583**	797,628
EQUITY			
Contributed equity	18	**161,865**	161,865
Reserves	18(a)	**286,013**	285,584
Retained earnings		**285,705**	350,179
Total Equity		**733,583**	797,628

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

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

Profit or loss	**Notes**	**2021 $'000**	2020 $'000
Revenue from continuing operations	2(a)	**291,259**	429,624
Change in fair value of investment property	2(c)	**(23,677)**	(38,196)
Operating expenses	3(a)	**(151,108)**	(177,445)
Unusual Airline and Retail doubtful debts	2(d)	**14,392**	(16,190)
Earnings before interest, depreciation and amortisation		**130,866**	197,793
Finance revenue	2(b)	**118,630**	112,384
Finance expenses	3(b)	**(258,118)**	(139,775)
Depreciation	3(c)	**(81,512)**	(83,407)
Amortisation	3(d)	**(6,319)**	(4,361)
(Loss) / Profit from continuing operations before income tax		**(96,453)**	82,634
Income tax benefit / (expense)	4	**31,979**	(25,965)
(Loss) / Profit from continuing operations after income tax		**(64,474)**	56,669
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Revaluation of capitalised lease – operational land	18(a)	**613**	7,569
Income tax on items that may not be reclassified to profit or loss	18(a)	**(184)**	(2,270)
Net other comprehensive income not to be reclassified to profit or loss in subsequent years		**429**	5,299
Other comprehensive income for the year, net of tax		**429**	5,299
Total comprehensive (loss) / income for the year, net of tax		**(64,045)**	61,968

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

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Notes	Contributed Equity $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2019		**161,865**	**280,285**	**309,510**	**751,660**
Profit for the year after income tax		-	-	56,669	56,669
Other comprehensive income		-	5,299	-	5,299
Total comprehensive income for the year		**-**	**5,299**	**56,669**	**61,968**
Transactions with owners in their capacity as owners:					
Ordinary dividends paid	6	-	-	(16,000)	(16,000)
Balance at 30 June 2020		**161,865**	**285,584**	**350,179**	**797,628**
(Loss) for the year after income tax		-	-	(64,474)	(64,474)
Other comprehensive income		-	429	-	429
Total comprehensive (loss) for the year		**-**	**429**	**(64,474)**	**(64,045)**
Transactions with owners in their capacity as owners:					
Ordinary dividends paid	6	-	-	-	-
Balance at 30 June 2021		**161,865**	**286,013**	**285,705**	**733,583**

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

Consolidated Statement of cash flows
For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Cash receipts from customers		**308,005**	388,531
Cash paid to suppliers and employees		**(122,157)**	(156,554)
Interest received		**172**	409
Income tax paid		**(13,425)**	(57,273)
Net cash flows from operating activities	22	**172,595**	175,113
Cash flows from investing activities			
Purchase of intangibles		**(15,739)**	(9,646)
Proceeds from sale of infrastructure, plant and equipment		**107**	141
Purchase of investment property, infrastructure, plant and equipment		**(92,712)**	(96,468)
Net cash flows used in investing activities		**(108,344)**	(105,973)
Cash flows from financing activities			
Proceeds from borrowings – syndicated multi-option facility agreement A		**622,000**	240,000
Proceeds from borrowings – USPP Series I		**-**	214,869
Proceeds from borrowings – USPP Series J		**-**	107,404
Proceeds from borrowings – USPP Series K		**21,067**	
Proceeds from borrowings – USPP Series L		**21,067**	
Proceeds from borrowings – USPP Series M		**104,635**	
Proceeds from borrowings – USPP Series N		**63,904**	
Repayment of borrowings – AMTN		**(550,000)**	
Repayment of borrowings – syndicated multi-option facility agreement A		**(483,000)**	(354,989)
Ordinary dividends paid	6	**-**	(16,000)
Interest paid – senior debt		**(50,460)**	(70,404)
Net cash flows used in financing activities		**(250,787)**	120,880
Net decrease in cash and cash equivalents		**(186,536)**	190,020
Cash and cash equivalents at beginning of financial year		**230,600**	40,580
Cash and cash equivalents at the end of financial year		**44,064**	230,600

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

Consolidated notes to the financial statements

30 June 2021

1. Significant Accounting Policies

(a) Reporting entity

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

(b) Basis of preparation

(i) Going concern

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

(ii) Statement of compliance

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

The financial report for the Company was authorised for issue in accordance with a resolution of the directors on 29 September 2021.

(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(q).

(iv) Functional and presentation currency

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

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

(v) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by PADG. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

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 fair value in the separate financial statements of the parent entity less any impairment charges (refer to note 26). The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Use of estimates and judgements

In the process of applying the Company's accounting policies, directors have made judgements, estimates and assumptions about future events. Critical estimates and assumptions were made in relation to:

- Fair value measurement of investment property (Note 10);
- Measurement of expected credit loss (Note 2)
- Impairment test of goodwill (Note 12); and
- Fair value measurement of financial instruments (Note 16)

(d) Derivative financial instruments and hedge accounting

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

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

(i) Derivatives that do not qualify for hedge accounting

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

(ii) Current versus non-current classification

When the Company will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(e) Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

(i.i) Initial recognition and measurement

Financial assets within the scope of AASB 9 are classified as either amortised cost, fair value through profit or loss (FVTPL), or as fair value through other comprehensive income (FVOCI). The Company determines the classification of its financial assets, at initial recognition.

The following table illustrates AASB 9 measurement requirements, applicable to the Company:

	Initial recognition	Subsequent measurement
Amortised Cost	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	Measured at amortised cost using the effective interest rate method and reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
FVTPL	Measured at fair value. Any acquisition transaction costs are recognised in the profit or loss.	These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income are recognised in profit or loss.

The Company's financial assets include amortised cost and fair value through profit or loss (FVTPL).

(i.ii) Impairment of financial assets

Financial assets can be measured at amortised cost, contract asset or debt investment at FVOCI. The expected credit loss (ECL) model is applied to measure the impairment of financial assets based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset.

The Company assess the ECL associated with trade receivables by applying the simplified impairment approach permitted by AASB 9. This requires expected lifetime losses to be recognised from initial recognition of all financial assets.

(i.iii) 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 contractual rights to receive cash flows from the asset have expired.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(ii) Financial liabilities

(ii.i) Initial recognition and measurement

The Company determines the classification of its financial liabilities at initial recognition in accordance with AASB 9.

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

(ii.ii) Trade and other payables

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

(ii.iii) Interest-bearing loans and borrowings

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

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

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

Interest borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(ii.iv) Other

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

(ii.v) Derecognition

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

(ii.vi) Offsetting of financial instruments

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

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

(f) Investment property

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

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

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

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

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

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

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

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

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

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

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

(i) Fair value

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

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

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(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 are located in Australia.

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

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

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

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

(ii) Subsequent costs

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

The professional fees paid for servicing a defects liability period are implicit in the nature of the agreement signed between 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.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(iii) Depreciation and amortisation

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

Depreciation and amortisation rates used are as follows:

	2021
Plant and equipment	**2.50 – 33.00%**
Buildings	**1.00 – 15.00%**
Fixed plant and equipment	**5.00 – 15.00%**
Runways, taxiways and aprons	**1.00 – 6.67%**
Other infrastructure assets	**2.50 – 20.00%**

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

(iv) Leasehold improvements

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

(v) Major repairs and maintenance

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

(vi) Non-current assets under construction

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

(vii) Reclassification to investment property

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(viii) Reclassification from investment property

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

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or reclassification of land for future operational purposes. For a transfer from investment property to owner-occupied property or capitalised lease-operational land, the deemed cost of property for subsequent accounting is its fair value as per the most recent independent valuation that has been recognised in the financial accounts.

(ix) Leased assets

Leases that meet the definition of investment property may be classified as investment property on a property-by-property basis.

(x) De-recognition and disposal

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

(h) Intangibles

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

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

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

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

Intangible assets with indefinite useful lives are 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.

All intangible assets are located in Australia.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the 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 (CGU) is less than the carrying amount, an impairment loss is recognised. The fair value of the CGU is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Other Intangible Assets

Software licenses with definite useful life

Contractual intangible assets are assessed to have a finite life and accordingly are amortised over the period of the lease or expiry of the licence where applicable. Contractual intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired. Write-downs arising from impairments are charged to the profit or loss.

Capitalised master plan costs

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

Domain Name

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

Occupational safety and health management system

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(iii) Research and development costs

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

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

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

(i) Provisions

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

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

(j) Revenue recognition

Revenue is recognised and measured at an amount that reflects the consideration it expects to be entitled to in exchange for fulfilling its performance obligations to the customer.

Revenue is recognised by the Company as follows:

(i) Aeronautical Revenue

Aeronautical revenues are billed on a monthly basis. Aeronautical revenue is primarily generated from contracts with airlines for the provision of access to terminals, infrastructure, apron parking, airfield and terminal facilities. Revenue is recognised as the performance obligation is provided:

- Landing fees: On a per passenger basis or on the basis of maximum take-off weight
- Terminal charges: On a per passenger basis
- Aircraft parking and storage charges: Over the duration of time the aircraft is parked
- Government mandated security charges: On a per passenger basis or on the basis of maximum take-off weight

Incentives or discounts are provided in line with terms of contracts with airlines and are generally based on passenger numbers, flight frequency and or new routes. Revenues from passenger charges are therefore variable consideration and estimated monthly. Variable revenue is only recognised when it is highly probable the revenues will not reverse. Discounts and incentives are paid as per dates or milestones specified within individual rebate or incentive contracts and any unpaid amount is recognised as a payable.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(ii) Retail Revenue

Retail revenue comprises concessionaire rent, and other fees received from retail operations on a monthly basis as the performance obligation is provided.

(iii) Ground transport services revenue

Ground transport services comprises revenue from the operation of public and leased car parks, car rental concessions, ground transport services and traffic management. Revenue is recognised over the period the car and ground access services are provided.

(iv) Property revenue

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

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

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

Premium leasing is when the Company (sub-lessor), enters into a lease with the buyer (sub-lessee), who 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 the Company as compensation for the right to lease the asset, even though not acquiring legal title to the land. Premium lease revenue is recognised upon unconditional execution of a premium lease.

(v) Recharge revenue

Recharge property service costs comprise recharged service and utility expenditure and are recognised when invoices are raised.

(vi) Interest revenue

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

(k) Deferred revenue

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

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(l) Finance income and expenses

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

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

(m) Employee Benefits

(i) Defined contribution superannuation funds

The Company meets its superannuation guarantee and enterprise bargaining obligations for employees' superannuation through contributions to complying 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.

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

(ii) Short-term benefits

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

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

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

A provision is recognised for the amount expected to be paid under short-term incentives or long-term incentive plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Long-term service benefits

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(n) Leases

(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 16 "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) Lease payments

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, dependent on the use of a specific asset or assets and the arrangement conveys a right to use or direct use of an asset.

Lease is recognised as a right of use asset in the balance sheet. The right of use asset is amortised equally over the term of the lease. Lease incentives are recognised as reduction to the right of use asset and forms part of the straight-line amortisation over the term of the lease.

(o) Income taxes

(i) PADG

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is 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.

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. and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(ii) Tax consolidation

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

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

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a stand-alone taxpayer approach whereby each entity in the tax consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Accordingly, PAPL and PADGI recognises tax in relation to its intragroup transactions.

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

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

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(p) 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.

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

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

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

(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) Investment property

The Company carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Company engaged independent valuation specialists to determine fair value as at 30 June 2021. For the investment buildings, the valuer used a valuation technique based on capitalised rental income as there is a lack of comparable market data because of the nature of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 10.

(iii) 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.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(r) Rights and obligations in accordance with the Airport Lease

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

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

(i) Airport Lease

Major features of the Airport Lease:

(i) Initial Airport Lease term 50 years with the ability to extend for a further 49 years at PAPL's option. The renewal option is exercisable in the 40th year of the initial lease term.

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

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

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

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

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

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

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(ii) Airports Act

The Airports Act regulates, inter alia, the following:

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

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

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

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

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

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

Obligations imposed by the Airports Act include the following:

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

(iii) Treasurer's Direction

Pursuant to section 29 of the Trade Practices Act:

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

(ii) Aeronautical services are limited to:

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 1. Significant Accounting Policies (continued)

(s) Wage Subsidy / Government Grants

Perth Airport Development Group Pty Ltd, in accordance to AASB 120, has recognised wage subsidies / government grants as an expense reduction when the expense is incurred and receipt of payment is virtually certain.

(t) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The Company has applied the following accounting policies and disclosures, summarised in the table below:

Accounting Standard	Requirement	Adoption date	Impact
AASB 2018-7 Amendments to AASs – Definition of Material	The amendment clarifies that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.	1 January 2020	No impact
AASB 2019-5 Amendments to AASs – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	This amendment applies to AASB 1054 Australian Additional Disclosures, it requires disclosure of the possible impact of initial application of forthcoming IFRS Standards not yet adopted by the AASB, as specified in paragraphs 30 and 31 of AASB 108.	1 January 2020	No impact
AASB Interpretation 23 Uncertainty over Income Tax Treatments	AASB 16 was amended, allowing lessees to not account for rent concessions as lease modifications, provided certain conditions are met. • Similar relief was not provided to lessors for several reasons, including the fact that AASB 16 did not introduce significant changes to lessor accounting.	1 June 2020	No change to existing treatment
AASB 2019-1 Amendments to AASs – References to the Conceptual Framework	The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular, the definitions of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, and measurement uncertainty in financial reporting.	1 January 2020	No impact
AASB 2019-3 Amendments to AASs – Interest Rate Benchmark Reform [Phase 1]	Phase 1 deals with urgent issues affecting financial reporting before the replacement of existing interest rate benchmarks. It introduces amendments to AASB 7 Financial Instruments: Disclosures, AASB 9 Financial Instruments and AASB 139 Financial Instruments: Recognition and Measurement, providing mandatory temporary relief enabling hedge accounting to continue during the period of uncertainty before existing interest rate benchmarks are replaced with alternative “nearly risk-free” benchmarks.	1 January 2020	No impact

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

There are no material impact from Australian Accounting Standards and Interpretations issued but not yet adopted, applicable to the Company for the annual reporting period ending 30 June 2021.

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 2. Revenues

	2021 $'000	2020 $'000
(a) Revenue from continuing operations		
Aeronautical charges	**93,166**	188,108
Retail revenue	**7,700**	42,225
Ground transport services	**47,202**	71,130
Investment property rentals	**90,994**	74,514
Net gain on premium leasing	**199**	1,006
Recharge property services	**50,992**	50,671
Other revenue	**976**	1,861
Net loss on disposal of property, plant and equipment	**30**	109
	291,259	429,624

	2021 $'000	2020 $'000
(i) Revenue from external customers		
Australia	**291,259**	429,624
	291,259	429,624

The revenue information above is based on the location of services provided to the customer.

	2021 $'000	2020 $'000
(b) Finance revenue		
Interest income	**175**	1,187
Fair value gain on interest rate swaps at fair value through profit or loss – held for trading	**118,455**	-
Currency swap unrealised gain	**-**	111,197
	118,630	112,384

	Notes	2021 $'000	2020 $'000
(c) Other (loss) / income			
Fair value (loss) adjustment to investment land	10	**(56,273)**	(55,513)
Fair value (loss) / gain adjustment to investment buildings	10	**(604)**	17,903
Fair value (loss) / gain adjustment to ground leases & licenses	10	**33,200**	(586)
Fair value (loss) / gain adjustment to investment property		**(23,677)**	(38,196)
(d) Unusual Airline and Retail doubtful debts			
Virgin doubtful debt		**14,873**	(14,873)
Other aeronautical and retail doubtful debts		**(481)**	(1,317)
	7(a)	**14,392**	(16,190)

(i) Virgin Australia
On 13 April 2021, Virgin Australia paid PAPL $6,647,577 as settlement for pre-administration debts. The remaining balance has been written off as bad debts. Note 3 (a)

(ii) Other aeronautical and retail doubtful debts
Management has applied judgement in the measurement of the Company's expected credit loss through applying Airline market knowledge. With a growing +60 days ageing debtor ledger, due to impact of the coronavirus pandemic, the airline and retail doubtful debt has been increased, accordingly.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 3. Expenses	Notes	2021 $'000	2020 $'000
(a) Operating expenses			
Employee expenses		**24,469**	38,371
Defined contribution superannuation expense		**3,527**	3,697
Recharged expenses		**68,921**	80,078
Services and utilities		**20,590**	32,002
General administration and office overheads		**17,424**	16,011
Bad debts written off / (recovered)		**8,798**	44
Maintenance expenses		**7,379**	7,242
		151,108	177,445

	Notes	2021 $'000	2020 $'000
(b) Finance Expenses			
Senior debt interest expense		**28,925**	65,216
Capitalised interest		**(1,264)**	(1,759)
Amortisation of upfront borrowing costs		**2,766**	2,908
Total interest expense		**30,427**	66,365
Foreign Currency Swap Unrealised Loss		**184,819**	-
Fair value loss on interest rate swaps at fair value through profit or loss – held for trading		**40,657**	25,212
Foreign currency loss - USPP debt retranslation to spot rate		**-**	17,525
Forward Exchange Unrealised Loss/(Gain)		**2,215**	29,997
Other		**-**	676
Total Finance expenses		**258,118**	139,775

	Notes	2021 $'000	2020 $'000
(c) Depreciation			
Plant and equipment		**6,448**	6,544
Leased: Buildings		**28,424**	29,579
Fixed plant and equipment		**17,385**	17,178
Runways, taxiways and aprons		**9,574**	9,392
Other infrastructure		**19,681**	20,714
Total Depreciation	11	**81,512**	83,407

	Notes	2021 $'000	2020 $'000
(d) Amortisation			
Other intangible assets	12	**4,734**	2,724
Capitalised lease – operational land	9	**1,585**	1,637
Total Amortisation		**6,319**	4,361

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 4. Income Tax Expense

	Notes	2021 $'000	2020 $'000
The major components of income tax expense are:			
Deferred income tax			
Deferred income tax in respect of current year		**(44,391)**	18,475
Deferred income tax in respect of previous year		**(2,492)**	(9,300)
	17	**(46,883)**	9,175
Current income tax			
Current income tax charge in respect of current year		**15,543**	(43,325)
Current income tax in respect of previous year		**(639)**	8,185
Income tax expense reported in profit or loss		**(31,979)**	(25,965)

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

	Notes	2021 $'000	2020 $'000
Accounting profit before income tax from continuing operations		**(96,453)**	82,633
At the statutory income tax rate of 30% (2020: 30%)		**(28,935)**	(24,790)
Deferred income tax in respect of previous year		**(639)**	(9,300)
Current income tax in respect of previous year		**(2,492)**	8,185
Non-deductible items		**87**	(60)
Income tax expense reported in profit or loss		**(31,979)**	(25,965)
Effective Tax Rate		**33.16%**	31.42%
Statement of changes in equity			
Current income tax related to items charged directly to equity in respect of revaluation of capitalised lease – operational land	18(a)	**(184)**	(2,270)
Income tax expense reported in equity	17	**(184)**	(2,270)

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 5. Auditor's Remuneration

The auditor of the Group is Ernst & Young Australia.

	2021 $	2020 $
Amounts received or due and receivable by Ernst & Young Australia for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated group	**127,000**	127,000
• Other services in relation to the entity in the group		
Assurance related	48,500	50,440
Tax compliance	45,000	61,500
Taxation services	-	26,000
Other non-audit services	**-**	55,100
	220,500	320,040

Note 6. Dividends paid and proposed

(a) Dividends declared and paid – Ordinary Dividends:	2021 $'000	2020 $'000
Interim ordinary dividend paid 0.11 cents per ordinary share	**-**	16,000
Final ordinary dividend paid	**-**	-
	-	16,000

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

Franking credit balance	2021 $'000	2020 $'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%	**110,784**	98,018
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**2,730**	1,382
The amount of franking credits available for future reporting periods	**113,514**	99,400

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 7. Trade and Other Receivables

	Notes	2021 $'000	2020 $'000
Trade receivables	19(b)(1)(i)	**82,828**	100,786
Allowance for impairment loss	7(a)	**(2,538)**	(16,930)
		80,290	83,856
Accrued revenue		**-**	405
Other receivables		1,396	3,783
Cross currency swaps net interest receivable		**27,864**	14,657
		109,550	102,701

Due to the short term nature of these receivables, the carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is held against trade receivables via security deposits and retentions (as disclosed in Note 8 and Note 13) and bank guarantees. It is not the Company's policy to transfer (on-sell) receivables to special purpose entities.

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets is disclosed in note 19.

(a) Allowance for expected credit losses
Trade receivables are non-interest bearing and generally on 30-day terms. An allowance for expected credit losses is recognised based on historical default rates.

Movements in the Allowance for expected credit losses was as follows:

	Notes	2021 $'000	2020 $'000
At 1 July		**16,930**	740
Provision for impairment recognised / (reversed) during the year	2(d)	**(14,392)**	16,190
At 30 June		**2,538**	16,930

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

Note 8. Other Financial Assets

	2021 $'000	2020 $'000
Security deposits	**117**	117
Operating lease receivable	**26,575**	24,474
	26,692	24,591

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.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 9. Capitalised Lease – Operational Land

	Notes	2021 $'000	2020 $'000
Carrying amount at 1 July		**120,357**	125,900
Transfer from investment land (i)	10	**4,567**	79
Transfer from ground leases and licenses	10	**770**	-
Transfer from investment buildings	10(iv)	**-**	1,945
Revaluation of operational land transferred to investment land	18(a)	**612**	7,569
Transfer to investment land	10(vi)	**(800)**	(13,499)
Amortisation expense	3(d)	**(1,585)**	(1,637)
Carrying amount at 30 June		**123,921**	120,357

(i) Transfer from investment land represents a change in use from englobo investment land to land held for operational requirements. The deemed cost of the operational land is the fair value of the investment land at the date of change in use.

The Company leases the airport land from the Commonwealth of Australia (refer to Note 1(r)), a portion of which is classified as a capitalised lease of operational land. The upfront payments for operational land under lease are recognised as a capitalised lease in the statement of financial position, with the gross value amortised over the period of the lease (including the optional renewal term) on a straight line basis.

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 10. Investment Property

	Notes	2021 $'000	2020 $'000
Investment Land - at fair value			
Carrying amount at 1 July		**482,750**	544,650
Transfer to investment buildings		**(4,000)**	(2,981)
Transfer to operational land	9	**(4,567)**	(79)
Transfer to ground leases and licenses		**(2,700)**	(16,826)
Transfer from operational land	9	**800**	13,499
Transfer from ground leases and licenses		**-**	-
Revaluation (decrements)/increments	2(c)	**(56,273)**	(55,513)
Fair value at 30 June		**416,010**	482,750
Ground Leases and Licenses - at fair value			
Carrying amount at 1 July		**264,470**	247,560
Transfer to operational land	9	**(770)**	-
Transfer to investment land		**-**	-
Removal of Finance Lease - Coxon		**(1,760)**	-
Transfer from investment buildings		**-**	670
Transfer from investment land		**2,700**	16,826
Revaluation increments/(decrements)	2(c)	**33,200**	(586)
Fair value at 30 June		**297,840**	264,470
Investment Buildings - at fair value			
Carrying amount at 1 July		**584,180**	556,037
Transfer from investment buildings under construction		**-**	274
Investment buildings – current year construction costs		**21,108**	10,514
Net operating leases		**(1,479)**	(913)
Transfer from investment land		**4,000**	2,981
Transfer to grounds and leases		**-**	(670)
Transfer to operational land	9	**-**	(1,945)
Revaluation decrements	2(c)	**(604)**	17,903
Fair value at 30 June		**607,205**	584,181
Investment Buildings under construction – at cost			
Carrying amount at 1 July		**20,041**	6,807
New investment buildings under construction - at cost		**1,678**	23,655
Construction costs capitalised		**(20,655)**	(10,514)
Borrowing costs capitalised		**138**	93
Carrying amount at 30 June		**1,202**	20,041
Total Investment Property at 30 June		**1,322,257**	1,351,442

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

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 10. Investment Property (continued)

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

(i) During the year $138,000 (2020: $90,000) of borrowing costs were capitalised on the construction of investment buildings.

(ii) During the year ending 30 June 2021, the Company entered into nil (2020: nil) separate Board approved premium leasing transactions which resulted in the disposal of investment land with a carrying value of nil (2020: nil).

(iii) During the year investment land with a carrying value of $ 4,567,000 (2020: $79,000) was transferred to operational land. This transfer primarily reflects changes from the annual review of land available for non-operational development.

(iv) During the year investment buildings with a carrying value of nil (2020: 1,945,000) were transferred to operational land.

(v) During the year ending 30 June 2021, investment ground leases and licences with a carrying value of $770,000 was transferred to operational land and the Company entered into finance leasing transactions with Coxon which resulted in the disposal of investment ground leases and licences with a carrying value of $1,760,000.

(vi) During the year operational land with a carrying value of $187,000 (2020: $5,930,000) was transferred to investment land. The land was valued at $800,000 (2020: $13,499,000) at the date of transfer. The revaluation increase of $613,000 (2020: $7,569,000) being the difference at the date of transfer between the carrying amount and its fair value, is recognised in asset revaluation reserve. This transfer primarily reflects a change in intended use for previously designated operational land that is now classified as investment land.

The following table provides the fair value measurement hierarchy of the company's investment properties as at 30 June 2021 and 30 June 2020.

30 June 2021	Significant unobservable inputs (Level 3) $'000	Total $'000
Investment Property at fair value		
Investment land	**416,010**	**416,010**
Ground leases and licenses	**297,840**	**297,840**
Investment buildings	**607,205**	**607,205**
	1,321,055	**1,321,055**
30 June 2020		
Investment Property at fair value		
Investment land	**482,750**	**482,750**
Ground leases and licenses	**264,470**	**264,470**
Investment buildings	**584,181**	**584,181**
	1,331,401	**1,331,401**

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 10. Investment Property – at Valuation (continued)

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

	Valuation technique	Significant unobservable inputs	Range 2021	Range 2020
Investment land	Direct comparison approach	Site rate	$19/m² - $371/m²	$27/m² - $371/m²
Ground leases and licenses	Income capitalisation	Capitalisation rate	5.00% - 15%	5.50% - 15%
	Direct comparison approach	Site rate	$31/m² - $1,563/m²	$29/m² - $455/m²
Investment buildings	Income capitalisation	Capitalisation rate	5.75% - 8.50%	6.00% - 8.50%
	Direct comparison approach	Site rate	$113/m² - $472/m²	$103/m² - $472/m²

Leasing arrangements

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

	2021 $'000	2020 $'000
Minimum lease payments receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	**65,459**	68,767
Later than one year but not later than 5 years	**179,336**	204,418
Later than 5 years	**532,080**	575,430
	776,875	848,615

Note 11. Infrastructure, Plant and Equipment

Information relating to security over assets is set out in note 15(c).

During the year borrowing costs were capitalised on the construction of qualifying assets. Included within assets under construction is borrowing costs of $7,591,000 (2020: $7,248,000) which were capitalised at a weighted average interest rate of 2.04% (2020: 1.71%).

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 11. Infrastructure, Plant and Equipment (continued)	Plant and Equipment $'000	Infrastructure Assets Under Lease: Buildings $'000	Infrastructure Assets Under Lease: Fixed Plant and Equipment $'000	Infrastructure Assets Under Lease: Runways, Taxiways and Aprons $'000	Infrastructure Assets Under Lease: Other Infrastructure $'000	Total Infrastructure Assets Under Lease $'000	Assets under Construction $'000	Total $'000
Gross Carrying Value at cost - 1 July 2019	**61,118**	**663,509**	**307,681**	**259,974**	**463,046**	**1,694,210**	**123,827**	**1,879,155**
Additions	-	-	-	-	-	-	74,574	**74,574**
Transfers - capitalised work in progress	3,082	**18,268**	**8,637**	**13,171**	**5,165**	45,241	(46,707)	**1,616**
Disposals	(921)	**(18)**	**(580)**	-	-	(598)	-	**(1,519)**
Gross Carrying Value - 30 June 2020	**63,279**	**681,759**	**315,738**	**273,145**	**468,211**	**1,738,853**	**151,694**	**1,953,826**
Accumulated Depreciation - 1 July 2019	**(36,357)**	**(144,958)**	**(122,498)**	**(74,083)**	**(141,367)**	**(482,906)**	**-**	**(519,262)**
Depreciation charge for the year	(5,220)	**(29,579)**	**(17,178)**	**(9,392)**	**(20,715)**	(76,864)	(1,323)	**(83,407)**
Disposals	891	**17**	**580**	-	-	597	-	**1,488**
Accumulated Depreciation - 30 June 2020	**(40,686)**	**(174,520)**	**(139,096)**	**(83,475)**	**(162,082)**	(559,173)	**(1,323)**	**(601,182)**
Carrying Value 1 July 2019	**24,761**	**518,551**	**185,183**	**185,891**	**321,679**	**1,211,304**	**123,827**	**1,359,892**
Carrying Value 30 June 2020	**22,593**	**507,239**	**176,642**	**189,670**	**306,129**	**1,179,680**	**150,371**	**1,352,644**

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 11. Infrastructure, Plant and Equipment (continued)

		Infrastructure Assets Under Lease						
	Plant and Equipment	Buildings	Fixed Plant and Equipment	Runways, Taxiways and Aprons	Other Infrastructure	Total Infrastructure Assets Under Lease	Assets under Construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross Carrying Value at cost - 1 July 2020	63,279	681,759	315,738	273,145	468,211	1,738,853	151,694	1,953,826
Additions	-	-	-	-	-	-	94,933	94,933
Transfers - capitalised work in progress	3,742	6,099	7,194	4,780	4,269	22,342	(35,348)	(9,264)
Disposals	(413)	(2)	(1,017)	-	(13)	(1,032)	-	(1,445)
Gross Carrying Value - 30 June 2021	66,607	687,856	321,914	277,925	472,468	1,760,163	211,279	2,038,049
Accumulated Depreciation - 1 July 2020	(40,686)	(174,520)	(139,096)	(83,475)	(162,082)	(559,173)	(1,323)	(601,182)
Depreciation charge for the year	(5,719)	(28,424)	(17,385)	(9,574)	(19,681)	(75,063)	(730)	(81,512)
Disposals	356	1	1,003	-	9	1,013	-	1,369
Accumulated Depreciation - 30 June 2021	(46,049)	(202,943)	(155,478)	(93,049)	(181,754)	(633,223)	(2,053)	(681,325)
Carrying Value 1 July 2020	22,594	507,239	176,642	189,670	306,129	1,179,680	150,371	1,352,644
Carrying Value 30 June 2021	20,559	484,913	166,437	184,876	290,714	1,126,939	209,226	1,356,724

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 12. Goodwill and Other Intangible Assets

	Notes	Goodwill $'000	Total Other Intangible Assets $'000
Cost			
At 1 July 2019		**443,598**	**47,425**
Cost derecognised		-	-
Additions		-	9,646
At 30 June 2020		**443,598**	**57,070**
Cost derecognised		-	-
Additions		-	15,739
At 30 June 2021		**443,598**	**72,809**
Amortisation			
At 1 July 2019		**-**	**28,892**
Amortisation derecognised		-	-
Amortisation expense	3(d)	-	2,724
At 30 June 2020		**-**	**31,616**
Amortisation derecognised		-	-
Amortisation expense	3(d)	-	4,734
At 30 June 2021		**-**	**36,350**
Net book value			
At 30 June 2021		**443,598**	**36,459**
At 30 June 2020		443,598	25,454
Cost			

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 12. Goodwill and Other Intangible Assets (continued)

Goodwill

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

The Company uses a long term financial model ("the model") to derive an equity valuation which forecasts the future cash flows to shareholders. The model is a value in use methodology that is derived using a discounted cash flow approach.

- Cash flows are based on a detailed bottom-up business planning process for the first year incorporated into 10 years of discrete cashflows. Key assumptions and drivers include passenger numbers, capital expenditure forecasts and operating revenue and expenditure assumptions based on current trading conditions and forecast growth and development.

- Long-term cash flows after year ten are extrapolated based on top-down escalation using a range of factors including CPI and wage growth,

- The period over which management has projected cash flows is 25 years (2020: 25 years), while the terminal value growth rate used to extrapolate cash flow projections is 3.0% (2020: 3.0%).

- The cost of equity discount rate is reviewed annually in conjunction with PADG shareholders. The cost of equity risk adjusted discount rate range that was applied to cash flow projections was 10.1% to 10.7% (2020: 10.1% to 10.7%).

Calculations to test for impairment of goodwill and other intangible assets with indefinite useful lives, have resulted in no impairment of goodwill and other intangible assets with indefinite useful lives since their respective acquisition dates. Accordingly, it is appropriate to continue to carry goodwill at the same value it was initially booked on acquisition date.

There is also sufficient excess of the equity valuation (recoverable amount of the cash generating unit) compared to Total Equity at 30 June (carrying amount of the cash generating unit) that goodwill and other intangible assets with indefinite useful lives would be unlikely to be impaired, even in a worst case scenario e.g. in a "low" traffic scenario.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 13. Trade and Other Payables

	Notes	2021 $'000	2020 $'000
Trade payables – unsecured		**31,893**	13,054
Syndicated facility – Tranche A interest payable		**118**	138
$A medium term note interest payable		**17**	9,785
United States Private Placement - Series A, B, C, E, F, G, I, J, K, L, M and N interest payable		**24,163**	22,932
United States Private Placement - Series D and H interest payable		**3,407**	3,407
Interest rate swaps – net interest payable		**2,168**	2,885
Accrued borrowing expenses		**75**	110
Other creditors - unsecured		**88,830**	80,334
Security deposits		**709**	688
Net GST Payable		**(494)**	437
		150,886	133,770

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 19.

Note 14. Employee Benefit Liabilities

	2021 $'000	2020 $'000
Annual Leave and Long Service Leave		
Current		
Annual Leave	**3,121**	2,201
Long Service Leave	**2,165**	2,610
Total	**5,286**	4,811
Non-current		
Long Service Leave	**504**	429

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 15. Interest-bearing loans & borrowings
(a) Terms and conditions of interest-bearing loans & borrowings:

	Interest Rate %	Maturity	2021 $'000	2020 $'000
Current Senior loans & borrowings				
Senior Secured Debt				
Medium Term Note – Fixed Income Bond $150m	6.00	23 July 2021	**-**	150,000
Medium Term Note – Fixed Income Bond $400m	5.50	25 March 2021	**-**	399,434
Total current senior loans & borrowings			**-**	549,434
Non-current Senior loans & borrowings				
Senior Secured Debt				
Multi option syndicated facility – Tranche A	BBSY + 0.95	12 December 2023	**427,000**	288,000
United States Private Placement – Series A - $USD	4.47	26 July 2022	**66,631**	72,298
United States Private Placement – Series B - $USD	4.57	26 July 2024	**106,524**	115,601
United States Private Placement – Series C - $USD	4.77	26 July 2027	**186,268**	202,170
United States Private Placement – Series D - $A	7.32	26 July 2022	**29,979**	29,958
United States Private Placement – Series E - $USD	3.50	9 July 2025	**133,073**	144,414
United States Private Placement – Series F - $USD	3.60	9 July 2027	**199,513**	216,540
United States Private Placement – Series G - $USD	3.75	9 July 2030	**265,887**	288,611
United States Private Placement – Series H - $A	5.14	9 July 2030	**99,689**	99,654
United States Private Placement – Series I - $USD	3.45	4 September 2029	**198,549**	215,479
United States Private Placement – Series J - $USD	3.70	4 September 2034	**99,220**	107,715
United States Private Placement – Series K - $USD	3.00	21 January 2026	**19,921**	-
United States Private Placement – Series L - $USD	3.28	21 January 2028	**19,919**	-
United States Private Placement – Series M - $USD	3.56	21 January 2031	**98,921**	-
United States Private Placement – Series N - $USD	3.66	21 January 2033	**60,412**	-
Medium Term Note – Floating Bond $100m	BBSW + 2.05	26 March 2024	**99,918**	99,887
Total non-current senior loans & borrowings			**2,111,424**	1,880,327

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 15. Interest-bearing loans & borrowings (continued)

(b) Financing Arrangements

(i) $AUD interest-bearing loans and borrowings	Note	2021 $'000	2020 $'000
Total facilities available:			
Syndicated multi-option facility - Tranche A		**900,000**	900,000
Syndicated multi-option facility - Tranche B		**50,000**	50,000
Syndicated multi-option facility - Tranche C	(a)	**-**	-
Bilateral Facility SMBC $75MN & CBA $75MN		**150,000**	-
$A Medium Term Note – Fixed Income Bond $150m		**-**	150,000
$A Medium Term Note – Fixed Income Bond $400m		**-**	400,000
$A Medium Term Note - Floating Bond		**100,000**	100,000
United States Private Placement – Series D $AUD		**30,000**	30,000
United States Private Placement – Series H $AUD		**100,000**	100,000
		1,330,000	1,730,000
Facilities utilised at reporting date			
Syndicated multi-option facility - Tranche A		**427,000**	288,000
Syndicated multi-option facility - Tranche B	(b)	**-**	-
Syndicated multi-option facility - Tranche C	(a)	**-**	-
Bilateral Facility SMBC $75MN & CBA $75MN		**-**	-
$A Medium Term Note – Fixed Income Bond $150m		**-**	150,000
$A Medium Term Note – Fixed Income Bond $400m		**-**	400,000
$A Medium Term Note - Floating Bond		**100,000**	100,000
United States Private Placement – Series D		**30,000**	30,000
United States Private Placement – Series H		**100,000**	100,000
		657,000	1,068,000
Facilities not utilised at reporting date			
Syndicated multi-option facility - Tranche A		**473,000**	612,000
Syndicated multi-option facility - Tranche B		**50,000**	50,000
Syndicated multi-option facility - Tranche C	(a)	**-**	-
Bilateral Facility SMBC $75MN & CBA $75MN		**150,000**	-
		673,000	662,000

Note (a): Syndicated multi-option facility - Tranche C is available on request.
Note (b): Syndicated multi-option facility - Tranche B is not utilised as at 30 June 2021.

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 15. Interest-bearing loans & borrowings (continued)

(ii) $USD interest-bearing loans and borrowings	2021 $'000	2020 $'000
Total facilities available and utilised:		
United States Private Placement – Series A	**50,000**	50,000
United States Private Placement – Series B	**80,000**	80,000
United States Private Placement – Series C	**140,000**	140,000
United States Private Placement – Series E	**100,000**	100,000
United States Private Placement – Series F	**150,000**	150,000
United States Private Placement – Series G	**200,000**	200,000
United States Private Placement – Series I	**150,000**	150,000
United States Private Placement – Series J	**75,000**	75,000
United States Private Placement – Series K	**15,000**	-
United States Private Placement – Series L	**15,000**	-
United States Private Placement – Series M	**74,500**	-
United States Private Placement – Series N	**45,500**	-
	1,095,000	945,000

(c) Senior Debt – Security and Covenants

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

The following ratios and covenants, failure of which is an event of default, are reported quarterly or semi-annually in a Compliance Certificate in accordance with the terms defined in the Syndicated Multi-Option Facility Agreement, Bilateral Facility Agreements, Perth Airport Australian Medium Term Note Trust Deed and USPP Note and Guarantee Agreements:

(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 2021 was 3.52:1 (2020: 2.80:1).

(ii) The Interest Cover Ratio ("ICR") is the ratio of earnings compared with senior debt interest expense. The covenant require that the ICR on the most recent Ratio Date not fall below 1.10:1. The covenant reported on 31 December 2020 was 1.99:1 (30 June 2020: 3.06:1)

(iii) 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 2021 was 0.38:1 (2020: 0.38:1). Refer to note 19 for further details.

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

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 15. Interest-bearing loans & borrowings (continued)

(d) Reconciliation of interest-bearing loans & borrowings

	Balance 30 June 2020	Cash flows		Non-cash changes		Balance 30 June 2021
		Proceeds	Repayments	Amortisation of Upfront Borrowing Costs	Foreign Exchange Movement	
Senior Secured Debt	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Syndicated multi option facility – Tranche A	**288,000**	412,000	(273,000)	1,325	-	**428,325**
United States Private Placement – Series A	**72,299**	-	-	36	(5,704)	**66,631**
United States Private Placement – Series B	**115,601**	-	-	47	(9,124)	**106,524**
United States Private Placement – Series C	**202,169**	-	-	66	(15,967)	**186,268**
United States Private Placement – Series D	**29,958**	-	-	21	-	**29,979**
United States Private Placement – Series E	**144,414**	-	-	65	(11,406)	**133,073**
United States Private Placement – Series F	**216,540**	-	-	81	(17,108)	**199,513**
United States Private Placement – Series G	**288,611**	-	-	87	(22,811)	**265,887**
United States Private Placement – Series H	**99,653**	-	-	36	-	**99,689**
United States Private Placement – Series I	**215,480**	-	-	177	(17,108)	**198,549**
United States Private Placement – Series J	**107,715**	-	-	59	(8,554)	**99,220**
United States Private Placement – Series K	-	21,067	(87)	8	(1,067)	**19,921**
United States Private Placement – Series L	-	21,067	(87)	6	(1,067)	**19,919**
United States Private Placement – Series M	-	104,635	(434)	21	(5,301)	**98,921**
United States Private Placement – Series N	-	63,904	(265)	11	(3,238)	**60,412**
$A Medium Term Note – Fixed Bond $150m	**150,000**	-	(150,000)	-	-	**-**
$A Medium Term Note – Fixed Bond $400m	**399,434**	-	(400,000)	566	-	**-**
$A Medium Term Note – Floating Bond $100m	**99,887**	-	-	31	-	**99,918**
Total interest-bearing loans & borrowings	**2,429,761**	**622,673**	**(823,873)**	**2,643**	**(118,455)**	**2,112,749**

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 15. Interest-bearing loans & borrowings (continued)

	Balance 30 June 2019	Cash flows		Non-cash changes		Balance 30 June 2020
		Proceeds	Repayments	Amortisation of Upfront Borrowing Costs	Foreign Exchange Movement	
Senior Secured Debt	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Syndicated multi option facility – Tranche A	402,989	240,000	(356,989)	1,201	-	**288,000**
United States Private Placement – Series A	71,281	-	-	36	982	**72,299**
United States Private Placement – Series B	113,983	-	-	47	1,571	**115,601**
United States Private Placement – Series C	199,355	-	-	66	2,748	**202,169**
United States Private Placement – Series D	29,937	-	-	21	-	**29,958**
United States Private Placement – Series E	142,386	-	-	65	1,963	**144,414**
United States Private Placement – Series F	213,514	-	-	81	2,945	**216,540**
United States Private Placement – Series G	284,598	-	-	87	3,926	**288,611**
United States Private Placement – Series H	99,619	-	-	34	-	**99,653**
United States Private Placement – Series I	-	214,869	-	148	463	**215,480**
United States Private Placement – Series J	-	107,404	-	49	262	**107,715**
$A Medium Term Note – Fixed Bond $150m	149,806	-	-	194	-	**150,000**
$A Medium Term Note – Fixed Bond $400m	398,586	-	-	848	-	**399,434**
$A Medium Term Note – Floating Bond $100m	99,856	-	-	31	-	**99,887**
Total interest-bearing loans & borrowings	**2,205,910**	**562,273**	**(356,989)**	**2,908**	**14,860**	**2,429,761**

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 16. Derivative Financial Instruments – Assets and Liabilities

		2021 $'000	2020 $'000
Financial non-current assets at fair value through profit or loss			
Derivatives – Held for Trading			
Cross currency swaps	(ii)	**52,099**	236,919
Interest rate swaps not designated as cash flow hedges	(i)	**-**	-
Total financial non-current assets at fair value through profit or loss		**52,099**	236,919
Financial non-current liabilities at fair value through profit or loss			
Derivatives – Held for Trading			
Interest rate swaps not designated as cash flow hedges	(i)	**(42,807)**	(2,150)
Foreign exchange forward contracts		**(129,448)**	(127,232)
Total financial non-current liabilities at fair value through profit or loss		**(172,255)**	(129,382)
Total Financial non-current assets/ (liabilities)		**(120,156)**	107,537

(i) Interest rate swaps

Interest rate swap contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The objective of the interest rate swap contracts is to fix the cash flows on interest-bearing loans and borrowings that are exposed to a variable rate of borrowing. Interest rate swaps that are not designated as hedges are classified as held for trading, with the associated changes in fair value recognised in the profit or loss.

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

At 30 June 2020

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

At 30 June 2021:

Maturity Date	Feb-26	Mar-26	Jul-27	Total Notional
Notional	130,000,000	235,000,000	90,000,000	455,000,000

The fair value of interest rate swaps that are offset, and subject to enforceable ISDA Master Agreements as at 30 June 2021 and 30 June 2020:

	2021			2020		
	Assets $'000	**Liabilities $'000**	**Total $'000**	Assets $'000	Liabilities $'000	Total $'000
Interest rate swaps						
Fair value	**2,132**	**(44,939)**	**(42,807)**	65,215	(67,364)	(2,150)

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 16. Derivative Financial Instruments – Assets and Liabilities (continued)

(ii) Cross currency swaps

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

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

Initial Exchange PAPL Pays $USD	Initial Exchange PAPL Receives $AUD	PAPL Pays $AUD Floating Rate on Notional Amount	PAPL Pays Spread on $AUD Floating Rate	PAPL Receives $USD Fixed	Maturity Date
140,000,000	143,405,890	AUD_BBR_BBSW	3.1749%	4.7700%	26 July 2027
80,000,000	81,946,223	AUD_BBR_BBSW	3.1825%	4.5700%	26 July 2024
50,000,000	51,216,389	AUD_BBR_BBSW	3.2565%	4.4700%	26 July 2022
270,000,000	276,568,502				

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

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

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

(c) A United States Private Placement was settled on 4 September 2019 which raised USD $225 million. To hedge the $USD foreign currency risk, cross currency swap transactions were traded on 7 June 2020 with a settlement date of 4 September 2019.

The net impact, as detailed beneath, was to exchange USD $225 million for AUD $322.27 million:

Initial Exchange PAPL Pays $USD	Initial Exchange PAPL Receives $AUD	PAPL Pays $AUD Fixed	PAPL Receives $USD Fixed	Maturity Date
110,000,000	157,570,549	3.4720%	3.4500%	4 September 2029
40,000,000	57,298,381	3.4950%	3.4500%	4 September 2029
55,000,000	78,762,709	3.8780%	3.7000%	4 September 2034
20,000,000	28,640,985	3.9130%	3.7000%	4 September 2034
225,000,000	322,272,624			

Notes to the financial statements
30 June 2021 (continued)

Note 16. Derivative Financial Instruments – Assets and Liabilities (continued)

(d) A United States Private Placement was settled on 21 October 2020 which raised USD $150 million. To hedge the $USD foreign currency risk, cross currency swap transactions were traded on 21 October 2020 with a funding date of 21 January 2021.

The net impact, as detailed beneath, was to exchange USD $150 million for AUD $210.67 million:

Initial Exchange PAPL Pays $USD	Initial Exchange PAPL Receives $AUD	PAPL Pays $AUD Fixed	PAPL Pays $AUD Floating Rate on Notional Amount	PAPL Receives $USD Fixed	Maturity Date
15,000,000	21,067,416	-	AUD_BBR_BBSW + 2.756%	3.0000 %	21 January 2026
15,000,000	21,067,416	-	AUD_BBR_BBSW + 2.915%	3.2800%	21 January 2028
45,000,000	63,202,247	3.8050%	-	3.5600%	21 January 2031
29,500,000	41,432,584	3.7750%	-	3.5600%	21 January 2031
45,500,000	63,904,494	3.9500%	-	3.6600%	21 January 2033
150,000,000	210,674,157				

The fair value of cross currency swaps that are offset, and subject to enforceable ISDA Master Agreements as at 30 June 2021 and 30 June 2020:

	2021			2020		
	Assets $'000	**Liabilities $'000**	**Total $'000**	Assets $'000	Liabilities $'000	Total $'000
Cross currency swaps						
Fair value	**1,194,112**	**(1,142,013)**	**52,099**	1,677,505	(1,440,586)	236,919

(iii) Foreign exchange contracts

Foreign currency exchange contracts for $270 million USD were entered into on 6 May 2019 to hedge future maturity payment of the $270 million USPP.

At 30 June 2021:

Maturity Date	Jul-22	Jul-24	Jul-27	Total Notional
Notional	50,000,000	80,000,000	140,000,000	270,000,000

Foreign currency exchange contracts for $175 million USD entered into on 28 May 2020 to hedge future maturity payment of the $175 million USPP.

At 30 June 2021:

Maturity Date	Jul-27	Jul-30	Total Notional
Notional	75,000,000	100,000,000	175,000,000

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 17. Deferred Tax Liabilities

	Notes	Statement of Financial Position		Profit or Loss		Other Comprehensive Income	
		2021	2020	**2021**	2020	**2021**	2020
Deferred income tax at 30 June relates to:		**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Deferred tax liabilities							
Accelerated depreciation for tax purposes		**28,644**	35,245	**(6,600)**	4,471	**-**	-
Revaluations of investment properties to fair value		**321,075**	315,281	**5,609**	(11,117)	**184**	2,270
Capitalised lease - operational land		**37,176**	37,279	**(102)**	(491)	**-**	-
Contractual intangible assets		**620**	1,285	**(664)**	810	**-**	-
Derivative financial instruments – held for trading		**2,788**	70,430	**(67,643)**	25,795	**-**	-
Property development income - future assessable amounts		**33,103**	35,514	**(2,411)**	(702)	**-**	-
Accrued revenue		**(288)**	121	**(410)**	(12)	**-**	-
Capitalised expense – immediate tax w/off		**0**	682	**(682)**	101	**-**	-
Lessor Contribution		**4,957**	4,087	**870**	1,347	**-**	-
		428,075	499,924	**(72,031)**	20,202	**184**	2,270
Deferred tax assets							
Provision for doubtful debts and Work in progress write-offs		**(757)**	(5,079)	**4,321**	(4,856)	**-**	-
Accrued expenses		**(46,491)**	(32,674)	**(13,817)**	(13,761)	**-**	-
Capitalised blackhole expenditure		**-**	-	**-**	485	**-**	-
Derivative financial instruments – held for trading		**(38,834)**	(38,170)	**(665)**	(8,999)	**-**	-
Finance costs		**(16,368)**	(51,842)	**35,475**	(2,618)	**-**	-
Deferred Revenue		**(1)**	-	**(1)**	-	**-**	-
Employee benefits		**(1,737)**	(1,572)	**(165)**	372	**-**	-
		(104,188)	(129,337)	**25,148**	(29,377)	**-**	-
Net deferred tax liabilities at 30 June		**323,887**	370,587				
Deferred tax expense	4			**(46,883)**	(9,175)		
Net transfers to Other Comprehensive Income	4					**184**	2,270

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 18. Contributed Equity

Movement in ordinary shares on issue	No. shares	$'000
At 30 June 2019	146,774,081	161,865
Share issue	-	-
At 30 June 2020	146,774,081	161,865
Share issue	-	-
At 30 June 2021	**146,774,081**	**161,865**

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

Nature and purpose of reserves

(a) Asset Revaluation Reserve

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

	Notes	2021 $'000	2020 $'000
Balance at 1 July		**285,584**	280,285
Revaluation of capitalised lease – operational land transferred to investment land	9	**613**	7,569
Deferred tax - other comprehensive income	4, 17	**(184)**	(2,270)
Balance at 30 June net of deferred tax		**286,013**	285,584

Note 19. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

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

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

(a) Capital Risk Management

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

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

A fundamental tenet of these policies is the adoption of specific policies and procedures promoting ongoing financial discipline in the PAPL's finance department, including the areas of risk management, credit rating and leverage. These policies also aim to promote financial stability and transparency to its key stakeholders and to maintain high standards of corporate governance.

Primary responsibility for identification and control of financial risks rests with the Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified, including the setting of limits for hedging of interest rate risk.

Shareholder Distributions

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

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

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(a) Capital Risk Management (continued)

Financial Leverage

The ultimate Australian parent entity of PAPL is Perth Airport Development Group Pty Ltd ("PADG"), which at 30 June 2021 owns 100% (2020: 100%) of the issued ordinary shares of PAPL (refer to Note 27(vii)). PADG aims to maintain a leverage ratio below 0.75:1 (2020: 0.75:1) (refer to Note 15(c)(ii)). The leverage ratio is defined as the ratio of outstanding gross senior debt to the sum of:

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

The leverage ratios based on continuing operations is:	**2021**	2020
	$'000	$'000
Accrued interest on senior debt facilities	**29,875**	39,147
Syndicated multi option facility – Tranche A	**428,325**	288,000
Australian medium term note – Fixed Income Bond	**-**	550,000
Australian medium term note – Floating Bond	**100,000**	100,000
United States Private Placement – Series A	**66,631**	72,299
United States Private Placement – Series B	**106,524**	115,601
United States Private Placement – Series C	**186,268**	202,169
United States Private Placement – Series D	**29,979**	29,958
United States Private Placement – Series E	**133,073**	144,414
United States Private Placement – Series F	**199,513**	216,540
United States Private Placement – Series G	**265,887**	288,611
United States Private Placement – Series H	**99,689**	99,653
United States Private Placement – Series I	**198,549**	215,480
United States Private Placement – Series J	**99,220**	107,715
United States Private Placement – Series K	**19,921**	-
United States Private Placement – Series L	**19,919**	-
United States Private Placement – Series M	**98,921**	-
United States Private Placement – Series N	**60,412**	-
Total senior debt	**2,142,706**	2,469,587
Book carrying value of PADG's investment in PAPL (1)	**3,345,400**	3,729,600
Leverage ratio	**36.0%**	33.8%

(1) The book carrying value at 30 June is from the most recent audited annual accounts (30 June 2020).

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(b) Risk exposures and mitigation

(1) Credit risk

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

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

	Notes	2021 $'000	2020 $'000
Cash and cash equivalents		**44,066**	230,600
Trade and other receivables	7	**109,550**	102,701
Other financial assets	8	**26,692**	24,591
Derivative financial instruments – cross currency swaps	16	**52,099**	236,919
		232,407	594,811

(i) Trade and other receivables

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

One of the methods used to manage the concentration of risks relating to these instruments is to report on the Company's exposure by customer type. To manage this risk:

- It is the PADG's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.
- PADG may require collateral, bank or security deposits, or bank guarantees, where appropriate (refer to Note 8). There are no other credit enhancements.
- Receivable balances are monitored on a regular ongoing basis with the result that PADG's exposure to bad debts is insignificant.

PADG established an allowance for expected credit losses recognised based on historical default rates in respect of trade and other receivables. The Company's maximum exposure to credit risk for trade receivables without taking account of any expected credit loss was:

	Notes	2021 $'000	2020 $'000
Aeronautical debtors		**75,672**	90,517
Property debtors		**891**	3,158
Ground transport debtors		**1,619**	4,191
Retail debtors		**1,411**	1,112
Sundry trade debtors		**3,235**	1,808
	7	**82,828**	100,786

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(1) Credit risk (continued)

(ii) Cash and cash equivalents

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

The carrying amount of the Company's financial assets represents the maximum credit exposure.

(2) Liquidity risk

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

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

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

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

To ensure liquidity is maintained in accordance with the Treasury Policy, updates are presented to the Board in the form of rolling 12 month cash flow forecasts. The use of a committed working capital facility and committed syndicated facility agreements to meet short term liquidity requirements is also available. At balance date, the Company had available $673,000,000 (2020: $662,000,000) of committed facilities not utilised (refer to note 15(b)).

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(2) Liquidity risk (continued)

The table below reflects all contractually fixed pay-offs for settlement, repayments and estimated interest payments resulting from recognised financial liabilities, including derivative financial instruments as of 30 June 2021. The respective undiscounted cash flows for the respective upcoming fiscal years are presented.

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

2021	Carrying amount $'000	Total Contractual cash flows $'000	Less 12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Amortised Cost						
Cash and cash equivalents	44,066	44,066	44,066	-	-	-
Trade and other receivables	109,550	109,550	109,550	-	-	-
Fair value in profit or loss						
Cross currency swap	52,099	-	-	-	-	-
- Outflow	-	(1,142,013)	-	(52,986)	(197,838)	(891,188)
- Inflow	-	1,194,112	61,971	69,750	224,321	838,071
Total financial assets	**205,715**	**205,715**	**215,587**	**16,764**	**26,483**	**(53,117)**
Non derivative						
Trade and other payables	(150,887)	(150,887)	(150,887)	-	-	-
Interest-bearing loans & borrowings	(2,111,424)	(2,199,213)	(101,479)	-	(710,128)	(1,387,606)
Income tax payable	(3,271)	(3,271)	(3,271)	-	-	-
Derivative						
Interest rate swap	(42,807)	-	-	-	-	-
- Outflow	-	(44,939)	-	-	(27,769)	(17,170)
- Inflow	-	2,132	2,132	-	-	-
Forward exchange contracts	(129,448)	(129,448)	(20,407)	-	(31,754)	(77,287)
Total financial liabilities	**(2,437,837)**	**(2,525,626)**	**(273,912)**	**-**	**(769,651)**	**(1,482,063)**
Net outflow			**(58,325)**	**16,764**	**(743,168)**	**(1,535,181)**

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(2) Liquidity risk (continued)

2020	Carrying amount $'000	Total Contractual cash flows $'000	Less 12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Amortised Cost						
Cash and cash equivalents	230,600	230,600	230,600	-	-	-
Trade and other receivables	102,701	102,701	102,701	-	-	-
Fair value in profit or loss						
Cross currency swap	236,919	-	-	-	-	-
- Outflow	-	(1,440,586)	(426,901)	-	(144,855)	(868,830)
- Inflow	-	1,677,505	535,083	18,064	213,120	911,238
Total financial assets	**570,220**	**570,220**	**441,483**	**18,064**	**68,265**	**42,408**
Non derivative						
Trade and other payables	(133,770)	(133,770)	(133,770)	-	-	-
Interest-bearing loans & borrowings	(2,429,761)	(2,592,482)	(560,944)	(110,449)	(517,610)	(1,403,479)
Income tax payable	(1,792)	(1,792)	(1,792)	-	-	-
Derivative						
Interest rate swap	(2,150)	-	-	-	-	-
- Outflow	-	(67,365)	($4,951)	-	-	($62,414)
- Inflow	-	65,215	$26,814	$38,401	-	-
Forward exchange contracts	(127,232)	(127,232)	(20,143)	-	(31,068)	(76,021)
Total financial liabilities	**(2,694,705)**	**(2,857,426)**	**(694,786)**	**(72,048)**	**(548,678)**	**(1,541,914)**
Net outflow			**(253,303)**	**(53,984)**	**(480,413)**	**(1,499,506)**

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Changes in market prices, such as interest rates and foreign currency risk, will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to changes in the variable interest rates on PAPL's long-term debt obligations which is disclosed in note 15. The variable interest rate exposure of long-term debt obligations is economically hedged by issuing fixed rate long-term debt obligations and interest rate swaps that convert the variable interest rates into a fixed rate of interest.

Interest rate swap contracts outlined in note 16, with fair value of $42,807,000 out of the money (2020: $2,150,000) 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:

	2021 $'000	2020 $'000
Financial Assets		
Cash and cash equivalents	**44,064**	230,600
Cross currency swaps – held for trading	**52,099**	236,919
Interest rate swaps – held for trading	**-**	-
	96,163	467,519
Financial Liabilities		
Interest bearing loans and borrowings – variable rate	**526,918**	388,000
Interest rate swaps – held for trading	**42,807**	2,150
Forward exchange contracts	**129,448**	127,232
	699,173	517,382
Net Financial Liabilities	**(603,010)**	(49,863)

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

At 30 June 2021, after taking into account the effect of these interest rate swaps, approximately 64.71% (2020: 91.24%) of the Company's drawn senior interest-bearing loans and borrowings is economically hedged at a fixed rate of interest. The Company regularly analyses its interest rate exposures. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(3) Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. At 30 June 2021, 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) 2021 $'000	 Increase / (decrease) 2020 $'000	Effect on Other Equity Increase / (decrease) 2021 $'000	 Increase / (decrease) 2020 $'000
+25 basis points	**21,818**	22,680	**-**	-
-25 basis points	**(22,176)**	(23,272)	**-**	-

The movements in post-tax profit is due to higher/lower interest costs from variable rate debt and cash and cash equivalents. The sensitivity of derivatives has been based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is also exposed to foreign currency accounts payable transactions in the ordinary course of business for immaterial amounts.

For the year ending 30 June 2021, the Company's exposure to the risk of changes in foreign exchange rates relates to cross currency swaps (refer to note 16(ii) and (iii), and the USPP (refer to note 15). 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:

Change in US$ Rate	Effect on profit before tax Increase / (decrease) 2021 $'000	 Increase / (decrease) 2020 $'000	Effect on Other Equity Increase / (decrease) 2021 $'000	 Increase / (decrease) 2020 $'000
+1%	**(33,096)**	(32,355)	**-**	-
-1%	**33,443**	32,703	**-**	-

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(3) Market risk (continued)

(iii) Estimation of fair value

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

	Carrying Amount			**Fair Value**
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cross currency swaps – held for trading	**52,099**	236,919	**52,099**	236,919
Interest rate swaps – held for trading	**-**	-	**-**	-
Total	**52,099**	236,919	**52,099**	236,919
Financial Liabilities				
Interest bearing loans and borrowings				
Variable rate borrowings	**526,918**	388,000	**530,361**	388,655
Fixed rate borrowings	**1,584,506**	1,844,523	**1,772,152**	2,203,827
Interest rate swaps – held for trading	**42,807**	2,150	**42,807**	2,150
Foreign exchange contract	**129,448**	127,232	**129,448**	127,232
Total	**2,283,679**	2,361,905	**2,474,768**	2,721,864

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

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

- Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

- Fair values of the Company's interest-bearing borrowings and loans are determined by using a discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2021 was assessed to be insignificant.

- The fair value of unquoted instruments, and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 19. Financial Risk Management (continued)

(b) Risk exposures and mitigation (continued)

(3) Market risk (continued)

- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps and cross currency swaps. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves. As at 30 June 2021, the fair value of derivative positions includes debit / credit valuation adjustments attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on other financial instruments recognised at fair value.

(iv) Fair Value Hierarchy

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

30 June 2021	**Significant observable inputs (Level 2) $'000**	**Total $'000**
Financial Assets		
Cross currency swaps	**52,099**	52,099
Interest rate swaps	-	-
	52,099	**52,099**
Financial Liabilities		
Variable rate borrowings	**530,361**	530,361
Fixed rate borrowings	**1,772,152**	1,772,152
Interest rate swaps	**42,807**	42,807
Foreign exchange contract	**129,448**	129,448
	2,474,768	**2,474,768**
30 June 2020	**$'000**	**$'000**
Financial Assets		
Cross currency swaps	236,919	236,919
Interest rate swaps	-	-
	236,919	**236,919**
Financial Liabilities		
Variable rate borrowings	388,655	388,655
Fixed rate borrowings	2,203,827	2,203,827
Interest rate swaps	2,150	2,150
Foreign exchange contract	127,232	127,232
	2,721,864	**2,721,864**

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 20. Capital and Leasing Commitments

(i) Capital Commitments

	2021 $'000	2020 $'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	**54,761**	89,181

(ii) Finance and Operating Leases

During the year ending 30 June 2021 the Company entered into finance leasing transactions with Coxon which resulted in the disposal of investment ground leases and licenses with a carrying value of $1,760,000.

Note 21. Contingent Liabilities

(i) Native Title

The ability to claim for native title over airport land was extinguished in 2000 and hence no such claims can be made against the Company. Parts of Perth Airport (the Munday Swamp Bushland and Forrestfield Bushland) were previously listed on the Register of the National Estate ("RNE"). In 2007, the RNE was closed, and is no longer a statutory list.

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

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

(ii) Qantas Domestic Terminal Lease

On 31 January 2018, the Company acquired the domestic terminal 4 from Qantas, including all facilities at the then fair market value. The fair market value for the domestic terminal 4 is subject to commercial negotiation. Both the Company and the lessee have engaged their own valuer and no agreement has been reached to date. An umpire has been nominated by the API to act as an expert arbitrator to resolve the fair market value for the terminal, but no resolution has been reached at reporting date.

(iii) Legal

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

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 22. Cash Flow Information

	Notes	2021 $'000	2020 $'000
Reconciliation of net profit after tax to net cash flows from operations			
Profit from continuing operations after income tax		**(64,474)**	56,669
Adjustments for:			
Depreciation and intangible amortisation		**85,516**	86,132
Capitalised lease – operational land amortisation	9	**1,585**	1,637
Derivative valuation and borrowing costs		**226,977**	(83,724)
Finance costs		**(116,240)**	47,521
Fair value (gain) / loss on investment property	2(c)	**23,677**	38,196
(Gain) Loss on sale of infrastructure, plant and equipment		**(107)**	(109)
Capital works in progress provision	11	**730**	(27)
		157,664	146,295
Changes in assets and liabilities			
Change in trade and other receivables		**(42,448)**	(54,746)
Change in other operating assets		**(635)**	15
Change in deferred tax assets	17	**25,148**	(29,284)
Change in deferred tax liabilities	17	**(71,847)**	22,379
Change in current tax liability		**1,479**	(22,135)
Change in deferred tax in equity	17	**(184)**	(2,270)
Change in trade and other payables		**68,487**	42,220
Change in deferred revenue		**(6,733)**	(2,193)
Change in other provisions		**(9,271)**	(1,105)
Change in interest-bearing liabilities		**475**	5,534
		122,135	104,710
Interest paid – senior debt		**50,460**	70,403
Net cash from operating activities		**172,595**	175,113

Note 23. Events after the Balance Sheet Date

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

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 24. Related Party disclosure

(i) Compensation of Key Management Personnel

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

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

Kevin Brown – Chief Executive Officer
Brian Pereira – Chief Financial Officer
Steven Holden – Chief Property Officer
Carolyn Turnbull – Chief Aviation Business Development Officer
Kate Holsgrove – Chief Commercial Officer
Scott Woodward – Chief Operating Officer
Allan Mason – Chief Development and Projects Officer (retired 3 August 2020)
Debra Blaskett – Chief Corporate Services Officer (retired 3 July 2020)
David Eden - Chief Projects & Development Officer (appointed 1 April 2021)

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

	2021 **$**	2020 $
Short-term employee benefits:		
Salary and fees	**2,479,180**	2,987,479
Annual Performance Payment	**-**	749,372
	2,479,180	3,736,851
Other benefits:		
Long Term Incentive Plan	**577,934**	544,931
	577,934	544,931
Post-employment benefits:		
Defined contribution superannuation expense	**146,436**	168,021
Termination benefits	**607,757**	-
	754,193	168,021
Total compensation	**3,811,307**	4,449,803

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 24. Related Party disclosure (continued)

(i.ii) Directors

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

- Utilities of Australia Pty Ltd as Trustee for Utilities Trust of Australia – Mr Clive Appleton and Mr Steven Fitzgerald.
- Utilities of Australia Pty Ltd as Trustee for the Perth Airport Property Fund - Mr Lyndon Rowe and Ms Elizabeth Albergoni.
- AustralianSuper Pty Ltd – Mr Malcolm Skene and Ms Monica (Ryu) Williams.
- The Northern Trust Company (TNTC) in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of The Future Fund Board of Guardians - Ms Wendy Norris, Ms Michelle d'Almeida, Mr Justin Ginnivan and Ms Rhoda Phillipo.
- The Infrastructure Fund – Ms Amanda McMillan.

(i.iii) Directors' Remuneration Scheme

In the year ending 30 June 2005, the PAPL Board approved the implementation of a Directors' Remuneration Scheme ("DRS"), which provides for payment of directors' fees of $1 million per annum to directors appointed by shareholders in proportion to the respective shareholding of each shareholder in the parent entity (PADG). Directors that are independent are remunerated directly by the Company. The total amount paid to Directors for the year ended 30 June 2021 amounted to $917,000 (2020: $971,000).

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 2021 there was an amount of $150,000 (2020: $118,000) in respect of fees payable to the shareholders per the DRS.

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 24. Related Party disclosure (continued)

(ii) Perth Airport Development Group Investments

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

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

During the year ending 30 June 2020, the Company sold to each venturer a 50% interest in a premium lease for total consideration of $31,412,000. The cost of the land sold was $11,091,000. The sale of land was made on terms equivalent to those that prevail in arm's length transactions. At 30 June 2021, PAPL has a receivable from PADGI of $157,000 (2020: $156,000).

(iii) Other Related Parties

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

(iv) Perth Airport Pty Ltd

Transactions between PADG and PAPL for the year included payments / receipts to PADG in its capacity as the head entity of the tax-consolidated group (refer to note 1(o)(ii)), which is consistent with the tax funding agreement, tax sharing agreement and the stand-alone taxpayer approach. At 30 June 2021, PAPL has an income tax payable to the Company of $2,004,000.

	2021	2020
	$'000	$'000
Income tax payable	**2,004**	749
	2,004	749

(v) Perth Airport Development Group Investments Pty Ltd

Transactions between PADG and PADGI for the year included payments / receipts to PADG in its capacity as the head entity of the tax-consolidated group (refer to note 1(o)(ii)), which is consistent with the tax funding agreement, tax sharing agreement and the stand-alone taxpayer approach. At 30 June 2021, PADGI has an income tax payable to the Company of $1,267,000.

	2021	2020
	$'000	$'000
Income tax payable	**1,267**	633
	1,267	633

Consolidated notes to the financial statements

30 June 2021 (continued)

Note 24. Related Party disclosure (continued)

(vi) Ownership Interests

Dividends declared and paid – Dividend Instalments:	**2021**	2020
	$'000	$'000
Balance of dividend declared	**10,363**	10,995
Dividend Instalment paid	**-**	-
Dividend declared but not yet paid	**10,363**	10,995

Details of Ordinary Dividends paid to PADG are disclosed at Note 6.

(vii) Perth Airport Development Group Pty Ltd Shareholders

PADG is owned by the following shareholders:

	2021	2020
	%	%
Gardior Pty Ltd as the Trustee for the Infrastructure Fund	**7.2%**	7.2%
Utilities of Australia Pty Ltd as the Trustee for the Utilities Trust of Australia	**38.3%**	38.3%
Utilities of Australia Pty Ltd as the Trustee for the Perth Airport Property Fund	**17.3%**	17.3%
AustralianSuper Pty Ltd	**5.3%**	5.3%
Sunsuper Pty Limited as trustee of the Sunsuper Infrastructure Trust 3 (Sunsuper)	**1.9%**	1.9%
The Northern Trust Company (TNTC) in its capacity as custodian for Future Fund Investment Company No.3 Pty Ltd (FFIC3), a wholly owned subsidiary of The Future Fund Board of Guardians	**30.0%**	30.0%
	100.0%	100.0%

Note 25. Company Information

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

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

Consolidated notes to the financial statements
30 June 2021 (continued)

Note 26. Information relating to Perth Airport Development Group Pty Ltd (the Parent entity)

	Notes	2021 $'000	2020 $'000
Current Assets		**80,230**	79,318
Non-Current Assets		**3,751,600**	3,402,100
Total Assets		**3,831,830**	3,481,418
Current Liabilities		**-**	-
Non-Current Liabilities		**1,076,920**	972,070
Total Liabilities		**1,076,920**	972,070
Net Assets		**2,754,910**	2,509,348
Contributed equity	18	**161,865**	161,865
Reserves		**2,512,815**	2,268,165
Retained earnings		**80,230**	79,318
Total Equity		**2,754,910**	2,509,348
Profit or loss after tax of the Parent entity		**912**	17,988
Net Unrealised gain / (loss) investment in subsidaries		**244,650**	(261,590)
Total comprehensive (loss) / income of the Parent entity		**245,562**	(243,602)

Investment in subsidiaries

For the year ending 30 June 2021, PADG engaged KPMG Corporate Finance (Aust) Pty Ltd to independently review the valuation model of PADG and PADGI at 30 June 2021. The fair value of this unlisted available-for-sale investment has been estimated using valuation techniques based on assumptions not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet, which is the midpoint of a high and low valuation range, and the related changes in fair value recorded in the statement of changes in equity are reasonable and the most appropriate at the balance sheet date.

(a) Investment in Perth Airport Pty Ltd

	2021 $'000	2020 $'000
Carrying amount 1 July – at valuation	**3,345,400**	3,729,600
Unrealised (loss)/gain on revaluation of subsidiary	**340,400**	(384,200)
Carrying amount 30 June	**3,685,800**	3,345,400

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

Consolidated notes to the Financial Statements
30 June 2021 (continued)

Note 26. Information relating to Perth Airport Development Group Pty Ltd (the parent entity) (continued)

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

	2021 **$'000**	2020 $'000
Carrying amount 1 July	**56,700**	46,200
Unrealised gain/(loss) on revaluation of subsidiary	**9,100**	10,500
Carrying amount 30 June	**65,800**	56,700

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

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

Directors' Declaration

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

1. In the opinion of the directors:

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

        (i) Giving a true and fair view of the Company's and Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

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

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

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

Signed in accordance with a resolution of the Board of Directors on 29 September 2021.

Michelle d'Almeida
Director

Perth, Western Australia
29 September 2021

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Independent auditor's report to the members of Perth Airport Development Group Pty Ltd

Opinion

We have audited the financial report of Perth Airport Development Group Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Information other than the financial report and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

D S Lewsen
Partner
Perth
29 September 2021

Perth Airport

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