



# RISING ABOVE

ADELAIDE AIRPORT  
ANNUAL REPORT 15/16

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CUSTOMER  
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#### Chairman

Rob Chapman

#### Managing Director

Mark Young

#### Directors

Alan Mulgrew

Jim Tolhurst

John Ward

Jay Hogan

Jane Yuile

Chris McArthur

#### Solicitors

Thomson Geer Lawyers

#### Auditors

PricewaterhouseCoopers

#### Shareholders

UniSuper Ltd 49.0%

Statewide Super 19.5%

Colonial First State 15.3%

Industry Funds Management 12.8%

Perron Investments 3.4%

#### Subsidiaries

100% Parafield Airport Limited

100% Adelaide Airport

Management Limited

100% New Terminal Financing

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ENVIRONMENT

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CORPORATE  
GOVERNANCE



WE'RE RISING  
ON THE WINGS  
OF OUR VISION.  
WE'RE SOARING  
TO GREATER  
HEIGHTS THAN  
BEFORE.

# CHAIRMAN'S REPORT

## THE PAST FINANCIAL YEAR HAS AGAIN DEMONSTRATED HOW ADELAIDE AIRPORT'S PERSEVERANCE AND COMMITMENT TOWARDS REACHING OUR OBJECTIVES REMAINS A KEY TO ACHIEVING SUCCESS.

A year ago, as passenger numbers started to retreat from historic highs, Adelaide Airport was faced with the challenge of offsetting the loss of Air Asia X services to Kuala Lumpur.

We have met the challenge head on. Instead of taking one step back, we have taken two steps forward with the signing of two of the world's largest and most respected international airlines.

In May, we welcomed the arrival of Qatar Airways' daily service between Adelaide and Doha. This has increased connectivity into 40 European cities and 17 North American destinations.

At the same time, our business development team was in the midst of detailed negotiations with China Southern, culminating in the signing of a Memorandum of Understanding between the airline and the South Australian Government in April.

Attracting a mainland China service has been a long-held goal for Adelaide Airport, and we were delighted to be informed by China Southern in July that it will introduce a service between Adelaide and Guangzhou in December 2016.

Other domestic and international airlines look to consolidate and develop existing routes. The move by Cathay Pacific in 2015 to fly direct to Hong Kong (rather than via Melbourne) has proved very successful, and the airline has added services during peak periods to meet demand. Emirates, Singapore Airlines, Air New Zealand and Jetstar have all continued to develop their routes, while Virgin Australia's Bali services are now operated by Tigerair.

Attracting airlines of this calibre requires us to continue our efforts to ensure our facilities are amongst the best in Australia and indeed the Asia Pacific region.

As we announced in 2014/15, we have set ourselves ambitious but achievable goals as part of our 30-year Vision for Adelaide Airport. This includes the development of the Airport Business District and tripling the size of our existing terminal, and work is progressing on both of these goals.

Adelaide Airport's balance sheet remains in a solid position. The company's revenue reached \$187.9 million for the financial year, up 4.6 per cent on the previous year. Net profit after tax was \$31.0 million, down 15.1 per cent on the previous year - largely the result of a smaller increase in fair value of investment properties.

Adelaide Airport is considered a leader in sustainability in the aviation sector. In 2015/16 we have constructed Australia's largest airport rooftop solar system, which will reduce our overall emissions by 10 per cent.

I would like to congratulate the Adelaide Airport team for their hard work over the past year. In addition to the successes highlighted above, we continue to show ourselves to be industry leaders in several areas.

Finally I would like to welcome new Director Jane Yuile, who is highly respected in the South Australian business community. I thank former Director Anne Howe for her invaluable experience and expertise over the past five years.

The theme for this year's annual report is 'Rising Above'. It is a succinct way of saying that in everything we do, we take a holistic approach with a view to the long term sustainability of the business. I am confident in our ability to continue this approach well into the future.

# MANAGING DIRECTOR'S REPORT

## ADELAIDE AIRPORT IN 2015/16 HAS FOCUSSED ON REALISING OUR RECENTLY ANNOUNCED 30-YEAR VISION TO ENSURE WE REMAIN A CATALYST FOR ECONOMIC ACTIVITY IN SOUTH AUSTRALIA, SUPPORTED BY CONTINUED GROWTH AND A STRONG BALANCE SHEET.

We continue to consolidate aeronautical growth and undertake infrastructure development in line with our vision to be a top tier business centre in the Asia Pacific region.

Passenger growth has been more subdued following the record run we've experienced in recent years, but we have still finished in positive territory for the past financial year with second half gains outstripping decreases in the first half of the year.

Domestic passenger numbers have now reached 7 million on the back of 1.9 per cent growth. We have welcomed a new service between Adelaide and Avalon (Melbourne) operated by Jetstar, and a new Sunshine Coast service will start in late-2016.

International passenger numbers decreased by 8.3 per cent, largely due to the withdrawal of AirAsia X and Jetstar's discontinuation of its Auckland service. However the second half of the year has clearly been stronger than the first with the introduction in May of Qatar Airways' new service between Adelaide and Doha.

The Qatar Airways service is particularly notable because Adelaide Airport became the first airport in Australia to welcome an operational Airbus A350 – the world's newest and most state-of-the-art aircraft.

China Southern's announcement that it will begin operating between Adelaide and Guangzhou in mainland China from December is clearly a considerable step forward.

As is often the case in the aviation industry, these 'overnight successes' have been years in the planning, and credit must go to our business development team, in coordination with the State Government, in making this happen.

Adelaide Airport continues to plan for the future with infrastructure upgrades either being planned or underway.

Negotiations have continued to find a developer and operator for a new airport hotel, and we are confident of a resolution in the first half of 2016/17.



A man in a dark suit, white shirt, and green tie is sitting on a row of blue airport-style seats. He is smiling and looking towards the camera. The background is a light blue wall. A large circular graphic with concentric circles and radial lines is overlaid on the left side of the image, framing the text.

IT'S A GREAT  
FEELING TO  
ACHIEVE  
WHAT WE SET  
OUT TO DO.

Planning continues on a terminal expansion, which we expect to start in the next 12 months. It's worth noting we celebrated the 10th anniversary of our T1 terminal in October, and I still consider our facilities to be among the most modern and customer-friendly in Australia.

We have also completed an expansion of tow off parking facilities to the north of the main terminal, which will help improve operational capacity.

We haven't been alone in undertaking significant airport development. Both Medstar and Royal Flying Doctor Service have continued construction of new facilities adjacent Harbourside, while Guide Dogs SA/NT will soon start construction on a pet hotel in the same precinct.

At Parafield Airport, developer Devwest has announced construction of a Brand Outlet Centre adjacent Main North Road. This project and others in the precinct are benefiting from the completion of the new Main North Rd / Kesters Rd signalised intersection in 2015/16.

I would like to thank and congratulate all of our team for their hard work over the past year.

The calibre of our team and the strength of our culture is demonstrated by the fact we secured 'Gold Recognition' for excellence in Human Resources management in the Asia Pacific Region, announced by Airport Councils International (ACI).

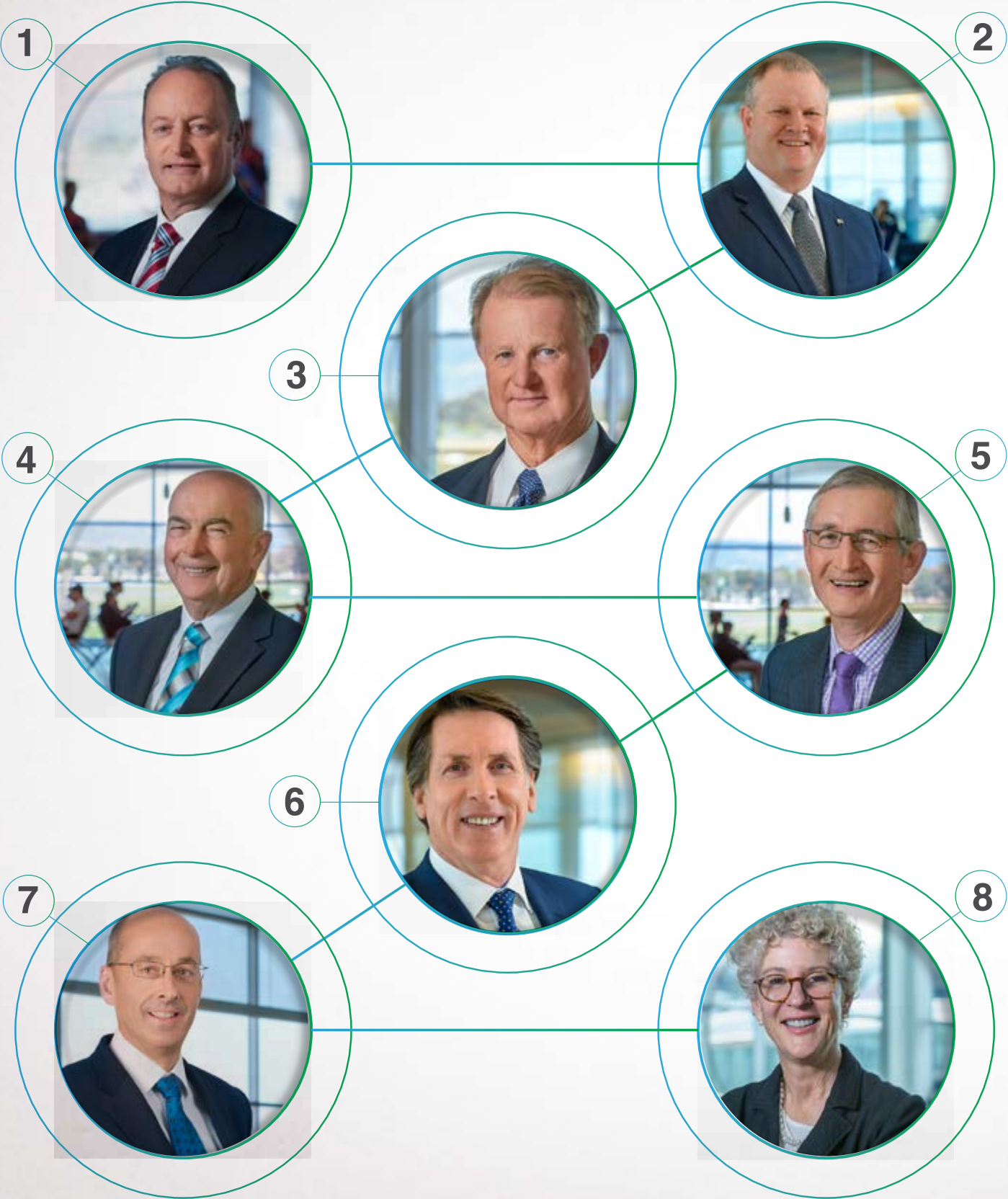
Adelaide Airport has also been ranked in the Top 10 airports in the world for on time service delivery in the 2015 OAG Aviation Airport Punctuality League.

We continue to search for ways we can improve our customer experience. In 2015/16 we have introduced an online pre-booking service for our car parks, and we have expanded the number of our wonderful ambassadors by 50 per cent to 31 volunteers.

Adelaide Airport remains highly active in the community. Our Community Investment Strategy is making a real difference to the lives of people connected to the organisations we support.

Thank you to our Board and shareholders for their continued support and guidance in 2015/16. There are clearly exciting times ahead as we continue to develop and break into new markets.

# BOARD OF DIRECTORS





## **1 - ROB CHAPMAN**

*AssocDipBus FAICD, FFSIA*

Rob has enjoyed an extensive executive career within the financial services industry, having acted as both the Chief Executive Officer of St George Banking Group (2010 to 2012) and the Managing Director of BankSA (2002 to 2010).

Non-Executive Director and Chairman appointed 25 February 2014

- Member of the Property Development Committee
- Member of the Aeronautical & Related Infrastructure Committee
- Member of the Audit & Compliance Committee
- Member of the Remuneration Committee

## **2 - MARK YOUNG**

*B.Ec, FCPA, FAICD, FCIS*

Mark has played a key role in Adelaide Airport's expansion and rapid passenger growth over the past decade initially as Chief Financial Officer and subsequently as Managing Director.

- Managing Director appointed 1 November 2011
- Member of the Property Development Committee
- Member of the Aeronautical & Related Infrastructure Committee

## **3 - JOHN WARD**

*BSc, FAICD, FAIM, FAMI, FCILT, FRAeS*

John is a professional company director and corporate advisor. He retired as General Manager Commercial of News Limited in 2001, and was previously Managing Director and Chief Executive of Qantas Airways Limited.

Non-Executive Director appointed 28 August 2002 (nominated by Uni Super Limited)

- Chair of the Remuneration Committee
- Member Audit & Compliance Committee
- Member of the Property Development Committee
- Member of the Aeronautical & Related Infrastructure Committee

## **4 - ALAN MULGREW**

*BA, GRAICD, JP*

Alan has more than 30 years' experience as a senior aviation executive both within Australia and overseas, including responsibility for Perth and Sydney Airports, and has served as a non-executive board member on high profile boards spanning aviation, energy, construction, infrastructure and tourism.

Non-Executive Director appointed 6 September 2006

- Chair of the Aeronautical & Related Infrastructure Committee
- Member Property Development and Building Committee
- Member of the Remuneration Committee

## **5 - JIM TOLHURST**

*B.Comm, MBA, FCPA, FCIS, FAICD*

Jim is the immediate past Chairman of the Queensland Airports Ltd group of companies, and is currently a non-executive director of Leichhardt Coal Pty Ltd and Blair Athol Coal Pty Ltd. He has more than 40 years' experience in accounting and administration.

Non-Executive Director appointed 29 September 2004 (nominated by Uni Super Limited)

- Member of the Remuneration Committee
- Chair of the Audit & Compliance Committee
- Member Property Development and Building Committee
- Member of the Aeronautical & Related Infrastructure Committee

## **6 - JAY HOGAN**

*MBA, AFAMI, JP*

Jay has more than 40 years' experience in the property development and construction industry around Australia and overseas, across a broad range of property asset classes. He is currently Chairman of Mercure Kangaroo Island Lodge, Bremerton Vintners and Sevenhill Wines.

Non-Executive Director appointed 29 July 2009 (nominated by Statewide Super)

- Chair of the Property Development Committee
- Member of the Aeronautical & Related Infrastructure Committee
- Member of the Remuneration Committee (appointed 29 September 2015)

## **7 - CHRIS MCARTHUR**

*B.Eng., MBA, FAICD*

Chris is a Partner, Infrastructure Investments, at Colonial First State Global Asset Management. He is a Director of Brisbane Airport Corporation Holdings and former Director of Perth Airport, and was inaugural Chairman of Airports Coordination Australia Ltd.

Non-Executive Director appointed 30 March 2011 (nominated by Colonial First State Managed Property Ltd)

- Member of the Audit & Compliance Committee
- Member of the Property Development Committee
- Member of the Aeronautical & Related Infrastructure Committee

## **8 - JANE YUILE**

*B.Sc., MBA, FCA, FAICD*

Jane is currently State Chair of ANZ and also currently chairs both ReturnToWorkSA (formerly WorkCover SA) and the Advisory Board of the Australian Centre for Asian Business (UniSA), and is a Director of BuiltEnvirons and the Art Gallery of South Australia.

Non-Executive Director appointed 1 June 2016 (nominated by UniSuper Ltd)

- Member of the Property Development and Building Committee
- Member of the Aeronautical & Related Infrastructure Committee

# EXECUTIVE TEAM

## 1 - MARK YOUNG

### ***Managing Director***

Responsible for providing and championing strategic initiatives, leadership development, driving proactive business development and engagement to deliver superior and sustainable stakeholder outcomes, ensuring a quality brand and custodian of a high quality corporate and customer service culture and facilities.

## 2 - SHANE FLOWERS

### ***Chief Financial Officer and Joint Company Secretary***

Responsible for the sound financial position and commercially prudent conduct of the business, including effective reporting and stakeholder communications.

## 3 - VINCE SCANLON

### ***Executive General Manager Planning & Infrastructure***

Responsible for providing airport planning and development of both commercial and aeronautical infrastructure, transport including off airport infrastructure connectivity and utilities, airspace protection, Airport Masterplans and related airline relations.

## 4 - SUE DOYLE

### ***Executive General Manager People and Culture***

Responsible for people, performance, learning and development, marketing, brand development, community investment and executive services.

## 5 - KEN MAY

### ***Executive General Manager Property***

Responsible for the development and management of the property portfolio, including retail, leasing and tenancy management.

## 6 - DAVID BLACKWELL

### ***Executive General Manager Customer Service***

Responsible for all customer service related activities including service quality, passenger terminal operations, T1 retail, ground transport and the enterprise-wide functions of business systems and information technology.

## 7 - EMMA BOULBY

### ***Executive General Manager Airport Operations***

Responsible for airside safety, security and facilities management, as well as the management of Parafield Airport. Coordinates the development of AAL's strategy and leads process improvement and innovation initiatives across the business.

## 8 - BRENTON COX

### ***Executive General Manager Corporate Affairs, General Counsel and Joint Company Secretary***

Responsible for community consultation and communication, government and industry advocacy, environmental and sustainability initiatives, legal and commercial affairs, WHS, compliance, business continuity, insurance and risk management, route marketing and development, airline liaison, customer relations, facilitation and product enhancement.







EVERY  
ACHIEVEMENT  
IS A TESTIMONY  
TO A GREAT TEAM  
THAT'S COMMITTED  
TO MAKING THINGS  
HAPPEN.

# THE YEAR IN REVIEW

**IN THE TOP 10 WORLDWIDE  
FOR PUNCTUALITY. GOLD  
RECOGNITION FOR HR  
MANAGEMENT. IT'S BEEN A YEAR  
OF NUMEROUS SUCCESSES.**

## OCTOBER

- Qatar Airways – voted Best Airline in the World for 2015 – announces daily service between Adelaide and Doha.
- Adelaide Airport celebrates the 10th anniversary of the opening of our domestic and international terminal.
- The first 'sod' is turned to mark the start of the development of Guide Dogs SA's new five-star pet hotel at Adelaide Airport.
- The South Australian Government announces Parafield Airport as the base for the Northern Food Park, creating global opportunities for the State's food industry.

## DECEMBER

- Cathay Pacific adds a fifth weekly flight between Adelaide and Hong Kong.
- Construction starts on the biggest airport rooftop system in Australia on the roof of Adelaide Airport's short term car park - big enough to power the equivalent of more than 300 homes.

## JANUARY

- Additional tow off parking facilities for aircraft to the north of the main terminal are completed, creating parking for an additional three narrow-bodied or one wide-bodied aircraft.
- The 2015 OAG Aviation Airport Punctuality League report ranks Adelaide Airport in the Top 10 worldwide for punctuality, and the best in Australia.



## **FEBRUARY**

- DevWest announces it will build a new brand outlet centre at Parafield Airport, creating up to 350 retail jobs in the region.

## **MARCH**

- Jetstar launches three-weekly service between Adelaide and Avalon (Melbourne).
- Adelaide Airport receives Gold Recognition for HR management in the Asian region by Airports Council International.

## **APRIL**

- The South Australian Government and Adelaide Airport sign a Memorandum of Understanding with China Southern, paving the way for direct flights into mainland China.

## **MAY**

- Qatar Airways' inaugural flight from Doha arrives in Adelaide. It's the first time an Airbus A350 has been in operation as a scheduled service in Australia.
- Jetstar announces it will introduce a new service between Adelaide and the Sunshine Coast from September 2016.

# FINANCIAL PERFORMANCE

## A BIRD'S EYE VIEW THAT SHOWS OUR SUCCESS AS A COMPANY.

### FINANCIAL HIGHLIGHTS

- Revenue (excluding interest) of \$187.9 million, up 4.6% from \$179.6 million in the prior year.
- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties of \$112.3 million, up 4.2% from \$107.8 million in the prior year.
- Net profit before tax of \$43.7 million (last year net profit before tax of \$52.3 million). Excluding the fair value adjustment for investment properties and financial instruments this year is \$29.9 million (last year \$23.5 million).
- After funding interest on borrowings and dividends on RPS, cash flow from operating activities was a positive \$35.4 million (last year \$42.5 million).
- Dividends on redeemable preference shares of \$21.8 million (last year \$21.5 million). In addition special dividends of \$45.0 million (last year \$30.0 million) paid in the current year.
- Increase in fair value of investment properties of \$16.7 million (last year increase of \$27.3 million).

- Total passenger growth of 0.7% with an increase in domestic passengers of 1.9%.
- Adelaide Airport Ltd (AAL) established commitments for bank debt of \$285 million with the funds scheduled to replace the maturing 2016 MTNs in mid-September 2016. The bank debt provides funding for the maturing 2016 MTNs and an allowance for upcoming capital expenditure.

### FINANCIAL RISK MANAGEMENT

The Group manages its exposure to interest rate fluctuations using interest rate swaps.

The Group has fixed loans and swaps in place which currently cover 84% of the loan principle outstanding.

Average fixed interest rate paid was 5.4% (last year 5.0%).

The group manages its exposure to foreign currency risk on its US\$ borrowings using cross currency swaps which cover 100% of the principal and interest payments.

### CREDIT RATINGS

The long term finance strategy of the Group continues to be reviewed by the rating agencies, Standard and Poor's and Moody's. BBB/Baa2 ratings with a stable outlook continue to be maintained with each of these agencies respectively.

### FINANCIAL ANNUAL REPORT FOR THE 12 MONTHS TO 30 JUNE 2016

The Financial Annual Report for the 12 months to 30 June 2016 comprising:

- director's report
- auditors independence declaration
- financial report
- director's declaration
- independent auditors report to members is available on the company's website ([www.adelaideairport.com.au](http://www.adelaideairport.com.au)). Alternatively a copy may be obtained from the Company Secretary



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**INCOME STATEMENT**

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\$'000	2012	2013	2014	2015	2016
<b>REVENUE</b>					
Aeronautical	75,829	79,934	84,987	88,287	93,596
Commercial trading revenue	31,800	36,716	42,212	45,262	46,724
Property Revenue	36,678	40,057	41,948	43,240	44,709
Other Revenue	1,868	1,699	1,992	1,938	1,953
Other Income	848	1,070	940	869	889
Total Revenue <sup>1</sup>	147,023	159,476	172,079	179,596	187,871
Increments/(decrements) in fair value of investment properties	5,900	11,305	10,277	27,345	16,745
Operating Expenses	(64,064)	(67,834)	(70,039)	(71,801)	(75,550)
EBITDA	88,859	102,947	112,317	135,140	129,066
EBITDA (Adjusted) <sup>2</sup>	82,959	91,642	102,040	107,795	112,321
Margin	56.4%	57.5%	59.3%	60.0%	59.8%
Depreciation, impairment and amortisation	(16,188)	(17,704)	(19,177)	(19,592)	(21,537)
EBIT	72,671	85,243	93,140	115,548	107,529
<b>Borrowing Costs</b>					
Interest on senior debt, net of interest income	(37,706)	(42,145)	(43,275)	(43,273)	(39,117)
Interest on Airport Notes/Dividends on RPS	(28,284)	(28,362)	(30,189)	(21,468)	(21,804)
Increments/(decrements) in fair value of financial instruments	-	-	-	1,520	(2,954)
Net Profit/(Loss) Before Tax	6,681	14,736	19,676	52,327	43,654
Income Tax (Expense)/Benefit	(2,037)	(4,234)	(5,934)	(15,841)	(12,664)
Net Profit (Loss) After Tax	4,644	10,502	13,742	36,486	30,990

*Note 1: Excludes interest revenue*

*Note 2: Excludes adjustment in fair value of investment properties*

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**BALANCE SHEET**

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\$ million	2015	2016
Cash	84.2	68.1
Total Assets	1,107.9	1,129.8
Interest Bearing Liabilities (excl stapled securities)	671.7	760.0
Total Liabilities (excl stapled securities)	854.3	914.4
Total Equity (plus Stapled Securities)	253.6	215.4

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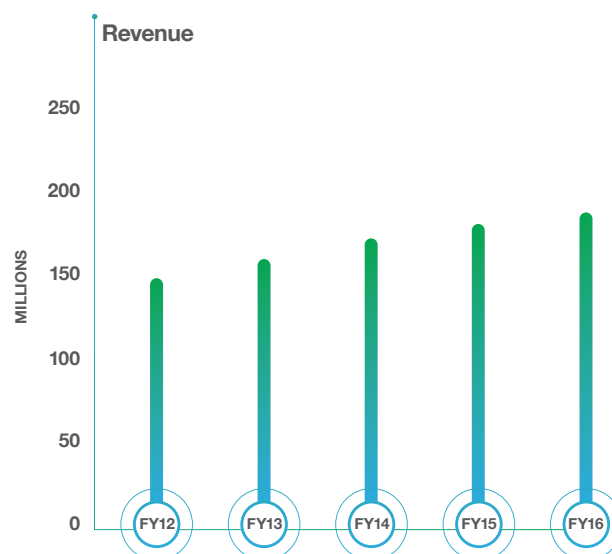
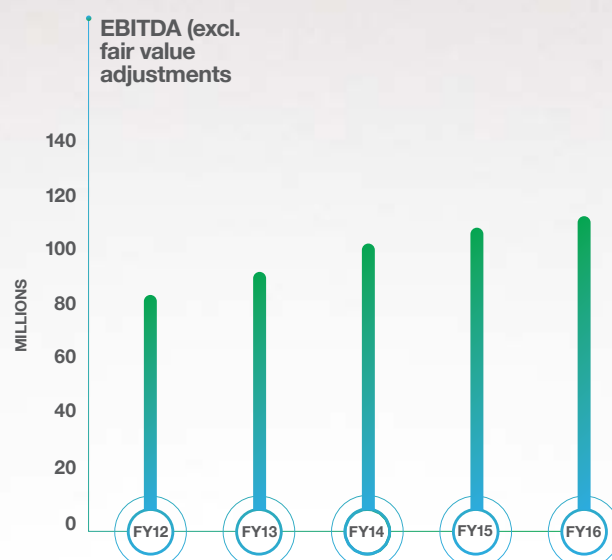
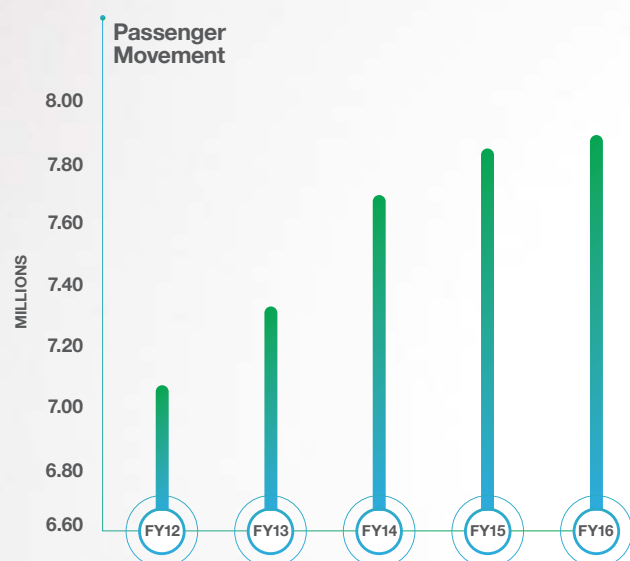
**CAPITAL STRUCTURE**

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Issue	Facility (\$ million)	Term
Working Capital Facility (\$20.0m available at year end)	\$20.0	Dec 2016
Bilateral Facility (2018) (Floating interest, \$50.5 available at year end)	\$165.0	Apr 2018
Medium Term Note (\$100m fixed interest)	\$265.0	Sep 2016
Redeemable Preference Shares (RPS)	\$188.6	Jun 2024
US Bonds USD	\$285.5	Sep-2025, 2027,2030
US Bonds AUD	\$50.0	Sep-2025, 2030
Bilateral Facility (2021,2023) (Deferred draw-down, Floating Interest)	\$285.0	2021,2023

# FINANCIAL PERFORMANCE

**WE'RE A CATALYST FOR ECONOMIC ACTIVITY, SUPPORTED BY CONTINUED GROWTH AND A STRONG BALANCE SHEET.**



## Aeronautical Traffic Performance

Financial year	1998	2015	2016	Change against prior year	Change since privatisation
<b>Passengers</b>					
Domestic <sup>1</sup>	3,745,443	6,906,442	7,035,242	1.9%	87.8%
International	227,381	935,553	857,806	-8.3%	277.3%
<b>Total (Excluding transit passengers)</b>	<b>3,972,824</b>	<b>7,841,995</b>	<b>7,893,048</b>	<b>0.7%</b>	<b>98.7%</b>
International Transit passengers	31,107	500	315	-37.0%	-99.0%
<b>Total (Including transit passengers)</b>	<b>4,003,931</b>	<b>7,842,495</b>	<b>7,893,363</b>	<b>0.6%</b>	<b>97.1%</b>
<b>Aircraft movements</b>					
Regular Passenger Transport	70,204	80,014	79,687	-0.4%	13.5%
General Aviation	35,076	24,016	23,338	-2.8%	-33.5%
<b>Total aircraft movements</b>	<b>105,280</b>	<b>104,030</b>	<b>103,025</b>	<b>-1.0%</b>	<b>-2.1%</b>
<b>Landed tonnes</b>					
<b>Total landed tonnes</b>	<b>1,622,681</b>	<b>2,604,441</b>	<b>2,575,039</b>	<b>-1.1%</b>	<b>58.7%</b>

*Note 1: Includes domestic on carriage*

**24%  
Property**



**50%  
Aeronautical**

**26%  
Commercial  
trading &  
other**

**11%  
International**

**PASSENGER  
MOVEMENT**

**89%  
Domestic**





# AERONAUTICAL BUSINESS DEVELOPMENT

## THE NUMBERS TELL A GREAT STORY. WE'RE EXPANDING OUR DOMESTIC AND INTERNATIONAL MARKETS.

### OVERVIEW

Adelaide Airport has maintained its position as Australia's fifth largest airport as we continue to grow our domestic and international services.

Total passenger growth of 0.7% was driven by growth in the domestic markets, which has compensated the withdrawal of AirAsia X's Kuala Lumpur service.

Adelaide welcomed the introduction of a daily service by Qatar Airways in May 2016 between Adelaide and Doha. Adelaide was the first airport in Australasia to receive the A350 operation. The Qatar service has increased connectivity into 40 European cities and 17 North American cities.

Our key focus in 2015/16 was to convince a Chinese carrier to introduce a direct service between Adelaide and mainland China.

The first milestone was achieved in April 2016 when China Southern Airlines signed a Memorandum of Understanding with the South Australian Government to jointly promote the growing demand for tourism to South Australia. This culminated in an announcement in July 2016 by China Southern Airlines that it would introduce a three-weekly service between Adelaide and Guangzhou from December 2016.

Other incumbent carriers such as Cathay Pacific and Singapore Airlines also continued to add supplementary flights into the Adelaide market during peak months.

Adelaide has a mature domestic network and carriers continue to steadily increase capacity and adding new routes. Jetstar introduced three-weekly service between Adelaide and Avalon in March 2016. The airline also announced in May that it would add more capacity in the Adelaide market by introducing a three-weekly service to the Sunshine Coast.

### PERFORMANCE

International passengers decreased by -1.6% on incumbent carriers but international seat factor rose +4.3 percentage points to 81.8% with incumbent operators benefiting from the unexpected withdrawal of AirAsia X service.

Domestic passengers grew +1.9% to 7.0 million. This was the result of incremental airline capacity additions on trunk routes, in addition to the new Avalon service.







ADELAIDE AIRPORT  
IS IN THE TOP 10  
AIRPORTS WORLDWIDE  
FOR PUNCTUALITY

## OPERATIONS

### THE PURSUIT OF OPERATIONAL EXCELLENCE IN SAFETY AND SECURITY REMAINS A KEY STRATEGIC PRIORITY FOR ADELAIDE AND PARAFIELD AIRPORTS.

We regularly update and test our plans with control authorities, emergency services and business partners to ensure best practice in managing the airfield.

#### SAFETY & SECURITY

Our annual emergency field exercise took place in June enabling key agencies to practise various aspects of emergency preparedness, operational response, command, coordination and control functions.

#### FACILITIES

We now operate Australia's largest airport rooftop solar system. The \$2.5m project, which delivers over 1,700 MWH per year, was delivered on time and within budget. It will reduce overall airport emissions by close to 10%, enabling the airport to achieve its carbon goal in just one year.

#### AERONAUTICAL

The 2015 OAG Aviation Airport Punctuality League has ranked Adelaide Airport 7th globally for small airports (less than 10 million passengers) and 8th overall, putting us in the Top 10 airports worldwide for punctuality, and the best in Australia.

The OAG Punctuality League 2015 is the industry's most comprehensive annual ranking of on-time performance (OTP) for the world's airlines and airports.

The on-time performance of airlines and airports plays a valuable role in the industry and has the power to bring about positive change in the future of aviation.

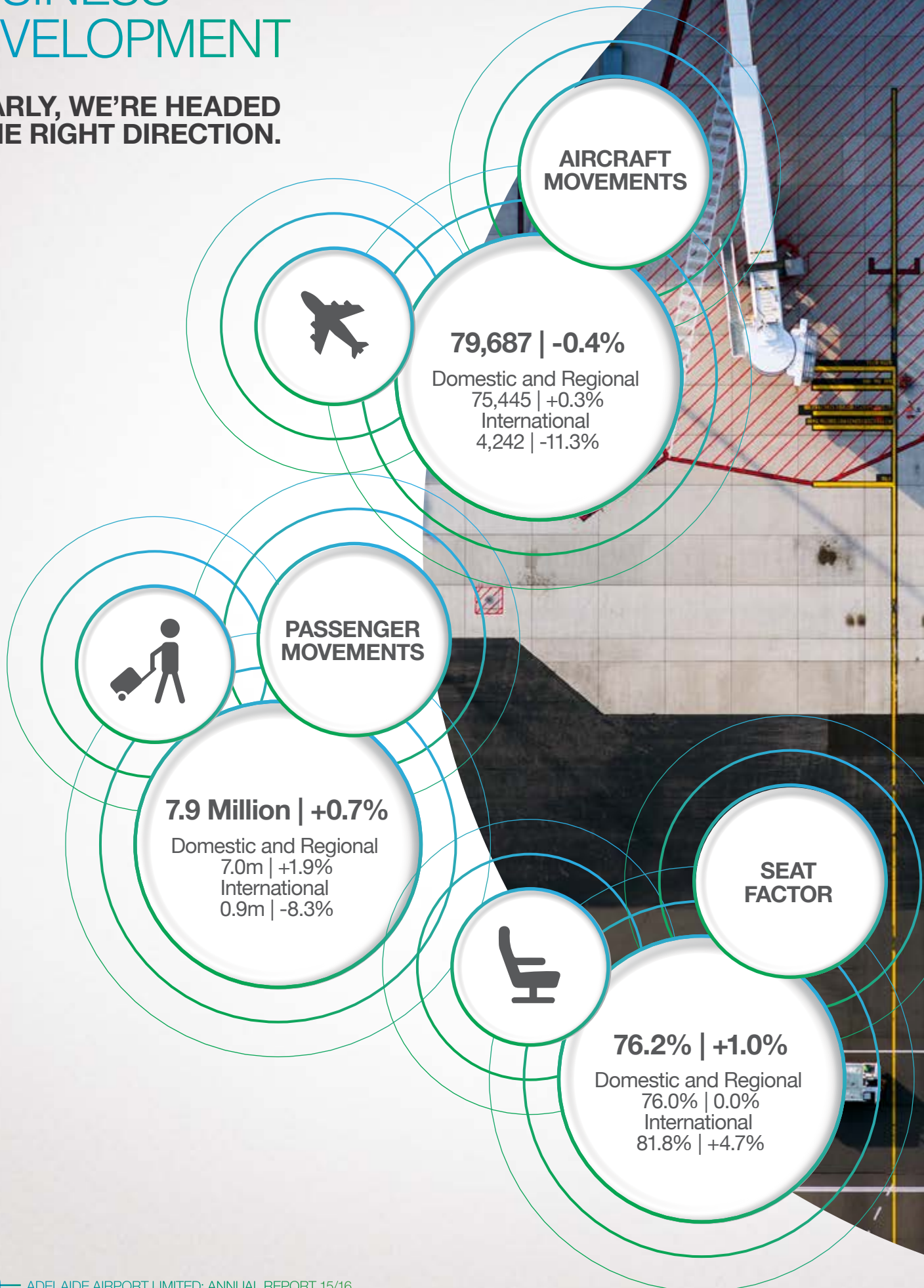




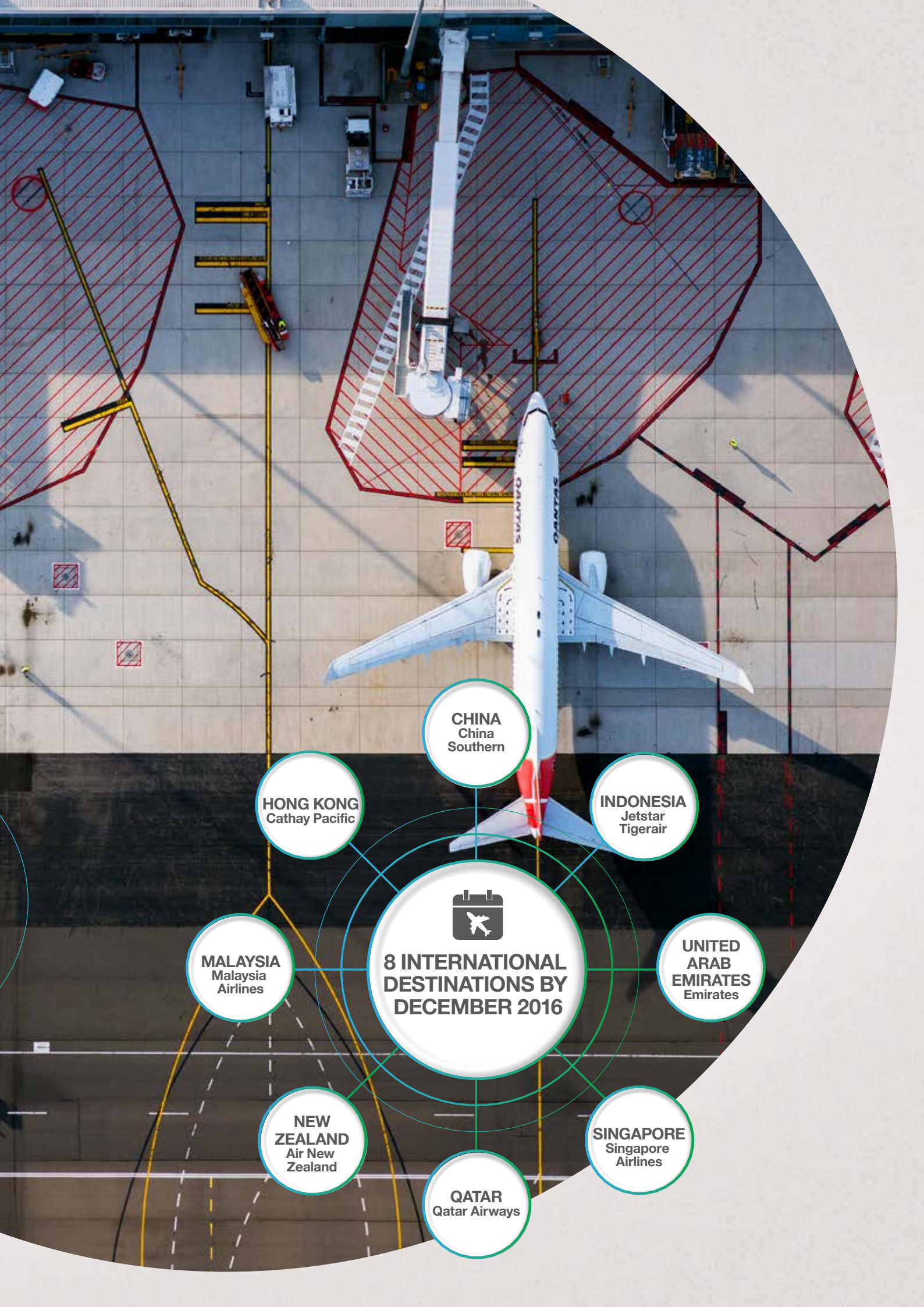


# AERONAUTICAL BUSINESS DEVELOPMENT

**CLEARLY, WE'RE HEADED  
IN THE RIGHT DIRECTION.**







**CHINA**  
China  
Southern

**INDONESIA**  
Jetstar  
Tigerair

**UNITED  
ARAB  
EMIRATES**  
Emirates

**SINGAPORE**  
Singapore  
Airlines

**QATAR**  
Qatar Airways

**NEW  
ZEALAND**  
Air New  
Zealand

**MALAYSIA**  
Malaysia  
Airlines

**HONG KONG**  
Cathay Pacific

  
**8 INTERNATIONAL  
DESTINATIONS BY  
DECEMBER 2016**





PROVIDING EASE,  
SEAMLESSNESS  
AND CONNECTIVITY  
TO ALL OUR  
CUSTOMERS.

## CUSTOMER FOCUS

**WE'RE ENABLING CUSTOMERS,  
TRAVELLERS AND PARTNERS  
TO HAVE A GREAT EXPERIENCE.**

In seeking to fulfil our vision to provide exceptional customer service, Adelaide Airport in 2015/16 has continued to introduce and enhance products and services while ensuring we measure up against the best in the world.

Adelaide Airport's Customer Service Business Unit continues to be responsible for the majority of customer-facing activities, including terminal operations, ground transport, retail, commercial and security screening facilitation. The unit is also responsible for business and information services, Ecommerce, the Ambassador (volunteer) program and overall customer experience.

### TERMINAL OPERATIONS

Adelaide Airport's international customers have benefited from the expansion of departure facilities.

A second Liquids Aerosols and Gels (LAGS) security lane has been installed to provide a smoother transition into the immigration processing area.

The Department of Immigration and Border Protection meanwhile has installed six new SmartGates at International Departures, which again has improved the efficiency of processing passengers travelling overseas.

### CAR PARKING

The introduction of a new online car park booking system has significantly improved the customer experience for thousands of our regular car park users.

Online bookings continue to grow as we refine our marketing and change from a rather static to more dynamic pricing system. Under the dynamic pricing system we are able to vary the price of parking products depending on a range of market factors. This is a very similar system to that used by airlines for seat pricing.

As parking transactions grow, we remain focused on the customer experience and this is an area in which we've made great gains in the past 12 months. We have coupled our world class customer management system with great staff and the result has been very high levels of positive feedback for our car parking products.



Through our online car parking system and related support portal, we engage with customers 4 times more often (average of 140 per month) than all other Adelaide Airport customer engagements combined (an average of 35 per month).

Customer surveys have been implemented after each parking activity to track customer sentiment (Net Promoter Score), as well gauge the level of support our customers receive using the 'Easy' scoring system. In both cases the feedback has been positive and encouraging, and continuing to improve.

## **CUSTOMER SATISFACTION**

Adelaide has placed very high in overall passenger satisfaction as measured by the Airports Council International's Airport Service Quality (ASQ) surveys.

Even as customer expectations continue to change, we have remained a consistently high ASQ performer when compared with all participating Australian and New Zealand airports.

In the past year we have expanded and revitalised our Ambassador volunteer program, while also extending the opening times of the information booth. The booth now also manages all lost property, significantly increasing the opportunities for travellers to reclaim lost items.

Some of the major projects that we expect to positively impact upon our service quality scores in the next year include the terminal toilet upgrades / refurbishments and the public (free) Wi-Fi service.

To ensure we are measuring our performance as a top tier airport against realistic benchmarks, we continue to benchmark against all Australian and New Zealand ASQ participant airports and we're also now benchmarking against the best airports of similar size and customer focus from around the world. Examples include regional high performers such as Osaka and Chang Mai, and global high performers Edmonton, Cape Town and Austin-Bergstrom airports. We will continue to update and refine this panel to ensure that we remain focused on achieving a high quality customer experience. 80 per cent of respondents rated Adelaide Airport as either "Very Good" or "Excellent" during FY16.





## NET PROMOTER SCORE (NPS) RESULTS

The net promoter score calculates responses to a single question:  
**How likely is it that you would recommend our company/product/service to a friend or colleague?** The overall nps survey score can be as low as -100 (everybody is a detractor) or as high as +100 (everybody is a promoter). An nps that is positive (i.e., Higher than zero) is considered good and an nps of +50 is considered great. Our nps measure has increased from +45 when first measured in November 2015 to +59 in June 2016.

### AMBASSADORS

Adelaide Airport's Ambassador program has undergone significant expansion, with the number of ambassadors increasing from 21 to 31 at the beginning of this year.

The inclusion of the additional volunteers has allowed Adelaide Airport to greatly increase its customer service presence right across the day.

Next year will see the recruitment of more multi lingual Ambassadors to meet the needs of the expanding international customer traffic.


### BIKE FACILITIES


Bicycle facilities and services were further upgraded in time for January's Tour Down Under and associated influx of cyclists.


A new secure Adelaide Metro bike cage was completed for use by customers with a registered Adelaide Metrocard. Other bicycle facilities at Adelaide Airport include bicycle service stations for assembly, disassembly and minor maintenance of bicycles, free bicycle racks for up to 12 bikes, and bicycle box 'recycling' service during major cycling events.







  
**Great, easy access  
and awesome rates!!!**

  
**Easy to do online  
plenty of parking not  
far from terminal**

  
**Loved that even after  
we pre-paid we messed up  
and got a ticket upon entry  
you were onto it with a text  
message for an easy fix.**

  
**Excellent service  
and easy to follow.**

  
**So easy just drove in  
parked, came back a few  
days later and drove out.  
Cheaper than taxis  
and far less stress.**



# INFRASTRUCTURE

## **DOING WHATEVER IS NECESSARY TO ENSURE THAT WE BECOME A TOP-TIER AIRPORT BUSINESS CENTRE IN THE ASIA PACIFIC REGION.**

As we look to bring our 30-year Vision to life, Adelaide Airport continues to undertake significant infrastructure projects that improve both operational capacity and amenity at the airport.

A project to provide additional tow off parking facilities for aircraft to the north of Adelaide Airport's main terminal has been completed.

The Northern Tow Off Parking Area project has created parking for an additional three narrow-bodied or one wide-bodied aircraft. The existing Ground Storage Equipment area has also been expanded.

The works involved the partial demolition of the northern regional covered walkway to facilitate the removal of existing pavement and construction of a new tow off hard stand for a range of aircraft types.

Adelaide Airport has been upgrading the building housing the Vickers Vimy aircraft; completed in August 2016.

The Vickers Vimy aircraft is an iconic piece of aviation history as the first aircraft to fly from England to Australia in 1919.

The upgrade has increased visibility, access and awareness of the historic aircraft and improved the environmental conditions within the pavilion in order to enhance conservation of the plane.

The project included the construction of a new external canopy and curved plywood screens, which referenced the curves on the Vickers Vimy wings and propellers, and created an attractive entry into the larger viewing area.

New LED lighting has been installed to align with Adelaide Airport's environmental strategy, as well as a number of other design features to assist in minimising the amount of damaging sunlight from affecting the materials and finishes of the fragile aircraft.

At Parafield Airport, the Kesters Road Intersection on Main North Road now has new traffic light access to the southern commercial precinct. This \$6.3m project was delivered by AAL in consultation with the Department of Planning Transport and Infrastructure (DPTI).

The scope included almost 1.4km of works on Main North Road and significant stormwater enhancements. The project was delivered on time ready for the opening of Hungry Jack's as the first new development in the precinct.





MORE AIRCRAFT  
PARKING TO IMPROVE  
OUR OPERATIONAL  
CAPACITY



APPROVAL  
FOR NEW ALDI  
SUPERMARKET  
IN 2017



# PROPERTY

**THE PAST 18 MONTHS HAS BEEN OUR MOST ACTIVE IN THE PROPERTY SECTOR. WE'RE POWERING JOBS AND ECONOMIC GROWTH IN THE NORTHERN AND WESTERN SUBURBS.**

## ADELAIDE AIRPORT

### TERMINALS AND BUSINESS PRECINCTS

Adelaide Airport in 2015/16 has continued to develop strategy and planning for the Airport Business District – a globally connected, next generation hub with designated industry clusters across a range of industries. This is a key element of our 30-year Vision, announced in 2014, to deliver further growth for the greater benefit of the South Australian economy.

An important part of the Airport Business District is the linkages with the terminal and associated developments. To that end we have been progressing well with plans for a new airport hotel and the expansion of existing terminal facilities.

## RETAIL

During the past 12 months the retail property team has delivered on the strategic plan for T1 retail.

In October 2014 the board approved a Retail Transition Strategy to transition the retail tenancies on short term leases while achieving rental income growth and refurbishments. This process was well underway in 2015/16 aligned with a refurbishment program.

A particular highlight has been the three-year renewal of leases with Delaware North including a new Coopers Alehouse replacing its previously segregated space adjoining the 1862 Bar. Another highlight was the two-year lease renewal of the Aelia Duty Free business, including plans for an additional South Australian providore component aimed at the emerging China market and a MAC cosmetics store.

All lease renewals are to be delivered consistent with the overarching theme of a sense of place. There are 37 total retail stores in T1 with a retail gross lettable area of 4,769m<sup>2</sup>.

## ALDI

Development of an Aldi supermarket on the corner of Vimy Avenue and Butler Boulevard in the Burbridge Business Park was approved by Adelaide Airport Ltd in May 2016. This followed a comprehensive assessment and review of a Merit Use application under the Adelaide Airport Master Plan 2014 involving agency referral and public consultation, which determined certain conditions as part of the development.

The Merit Use approval for the nominated 6,500 m<sup>2</sup> site will allow a ground lease to Aldi for the construction of a supermarket building, including storage and associated car parking, which is expected to occur in 2017.



# AEROMEDICAL PRECINCT PROVIDES NEW HOME FOR MEDSTAR AND RFDS

## TAPLEYS PRECINCT

### MedSTAR FACILITY

The SA Ambulance Service MedSTAR Rescue Retrieval Base has recently commenced construction adjacent the existing Australian Helicopters facility on Sir Reginald Ansett Drive.

The location will enable MedSTAR Retrieval Teams to achieve 'world's best practice' in Rotary Wing response times with teams able to mobilise and board the helicopter within two minutes. The new facility will supersede the current outdated facility on James Schofield Drive and eliminate the need for response teams to drive around the airport to board a waiting helicopter.

Being constructed on a 4,616m<sup>2</sup> site with an additional 1,565m<sup>2</sup> airside licensed area, the new two-storey 3,500m<sup>2</sup> building will provide operational, administrative and training facilities.

The building has been designed for operational efficiencies aligned to helicopter boarding and mobilisation with the ground floor comprising secure and undercover garaging for operational vehicles, Rescue Team preparation, equipment storage, operational briefing and meeting rooms, simulation training rooms, debriefing rooms and training hangar and gym.

The upper floor has commercial office space for administration. A 70-seat lecture theatre with inbuilt flexibility to double as a training area has a viewing platform overlooking the training hangar to facilitate training observation.

The airside interface will include an 880m<sup>2</sup> apron adjoining the existing Australian Helicopters apron to allow for efficient and optimal mobilisation and boarding of helicopters.

The close proximity of the Rescue Retrieval Base to the RFDS Base will provide synergies and engagement between the two organisations aligned with aero medical practice and learning.

The Rescue Retrieval Base is scheduled for completion in July 2017.

### ROYAL FLYING DOCTOR SERVICE CENTRAL OPERATIONS BASE

The Royal Flying Doctor Service has developed a bespoke, state-of-the-art facility at the southern end of Sir Reginald Ansett Drive. The new facility has been designed to bring RFDS operations and administrative personnel together under the one roof for the first time, and will relocate the RFDS aviation and ambulance operations to this new location from its old locality on James Schofield Drive.

The new 5,400m<sup>2</sup> facility comprises commercial office space over two levels for RFDS operational and administrative personnel, a hangar and maintenance facility for six aircraft, and patient transfer and care facilities with a dedicated ambulance bay for safe and efficient patient transfers. The site includes crew sleeping quarters, and associated staff and visitor car parking. The facility has an integrated 19,200m<sup>2</sup> aircraft apron and taxiway which was delivered under a separate contract by AAL.

The building achieved practical completion in July 2016 with RFDS personnel to begin transitioning into the facility in September 2016.





## PET HOTEL

Guide Dogs SA/NT is developing South Australia's first 'bespoke' pet hotel on a 6,577m<sup>2</sup> site on Navaid Road immediately west of the existing AFP K9 facility.

The location at Adelaide Airport was identified by Guide Dogs SA/NT as strategically and ideally suited to the notion of a pet hotel aligned with 'pet parents' having a caring and high quality facility to leave their beloved pets whilst on holidays. The facility will be an important revenue stream to support the Guide Dogs SA/NT core business of helping and supporting people with disability.

The 2,650m<sup>2</sup> building will contain a large hotel-style reception and foyer, 18 luxury kennel suites, a standard kennel area for up to 126 dogs (with the provision for an additional future 84 kennels), extensive indoor play areas and exercise yards, a grooming/washing area, an isolation kennel area supported by a veterinarian room, and ancillary food preparation and storage areas.

A separate and acoustically isolated cattery area will provide accommodation for up to 30 cats. The pet hotel will also have a 'pocket pet' area for small pets such as rabbits, guinea pigs, budgies and the like.

The site lease area allows extensive outdoor play areas and on site visitor and staff car parking.

The location at Adelaide Airport will provide travellers with the convenience of drop off and pick up of pets aligned with their holiday and business travel itineraries as well as the obvious convenient alignment to nearby local holiday / tourism facilities such as the Adelaide Shores Caravan Park. The pet hotel will also provide a high quality day care service - the first of its kind in the Adelaide market.

The Pet Hotel building application has been approved and is out for tender with a select contractor group. Construction is targeted to begin in September 2016 with the facility to be operational in the second half of 2017.

## TORRENS PRECINCT

The University of Adelaide has re-invigorated the land west of Tapleys Hill Road into sporting grounds through re-irrigating, seeding and landscaping. The playing fields will be configured as four cricket ovals and six soccer grounds, with associated player and visitor car parking. Recycled water from the Glenelg Sewerage Treatment Works will be used to irrigate the grassed areas.

## PARAFIELD AIRPORT

### NORTHERN ADELAIDE FOOD PARK

Parafield Airport in October 2015 was selected as the South Australian Government's preferred option for the development of its Northern Adelaide Food Park. The state-of-the-art development will enable food manufacturers, food packaging specialists, cold-chain suppliers and transport companies to expand and grow.

The South Australian Government through the Department of State Development and the Economic Development Board initially requested information in respect to land parcels suitable for the development of a food park in northern Adelaide in May 2015 on the premise that the export of South Australia's high quality food and beverages was a huge opportunity for the State both now and into the future. The nominated minimum land parcel size was 40 hectares with an emphasis on being development ready.

Parafield Airport submitted land available within the Cross Keys precinct, which had the added potential to expand beyond 40 hectares if required and further potential to provide an additional 20 hectares of land within the Kings Precinct if required.

Following selection of Parafield Airport by the State Government, a Memorandum of Understanding with the Department of Primary Industries and Resources South Australia (PIRSA) has been agreed to work collaboratively in the development of the Food Park.

Parafield Airport and PIRSA have since undertaken pre-feasibility analysis to identify occupancy demand and specifications. This in turn has enabled engineering, sustainability and architectural design to envisage a fully developed estate.

## MASTERS

The development of the Masters Hardware and Home Improvements Store was completed in April 2016, together with Officeworks and Hungry Jack's stores. Woolworths has now confirmed that it will exit the portfolio of Masters stores by December 2016 with an expectation the buildings will be converted to a suite of "big box" retail shops in 2017.

### BRAND OUTLET CENTRE

Parafield Airport and developer Devwest have completed an Agreement for Lease for the development of a Brand Outlet Centre on a four hectare site located immediately north of the Masters development, with shop tenancy marketing occurring since January 2016.

It is forecast the centre will create up to 350 jobs once opened, providing a significant boost for economic growth in the northern suburbs. The centre fits within the objectives of the Commercial Estate Precinct as outlined in Parafield Airport's 2012 Master Plan. Aligned with this development will be the relocation of Rivergum Homes Display Centre from its current location to a new site in the Levels Precinct accessed from the recently-constructed Kesters Road signalled intersection with Main North Road.





PARAFIELD IS  
STABLE, INCLUSIVE  
AND PROGRESSIVE  
- CREATING JOBS  
AND GROWTH IN  
THE NORTH



# HOME TO AUSTRALIA'S LARGEST AIRPORT ROOFTOP SOLAR SYSTEM



# ENVIRONMENT

## TAKING THE LEAD IN A HOST OF ENVIRONMENTAL INITIATIVES.

Sustainability, including environmental sustainability, is central to Adelaide Airport's vision. AAL is committed to maintaining its leadership position in environmental sustainability, further reducing its environmental footprint and to environmental legislative compliance.

AAL has realised a number of significant environmental achievements under its current environment strategy including:

- Installation of a 1.2 MW photovoltaic solar array on the roof of the multi-deck car park, the largest roof-top array at an Australian airport. At peak performance it is capable of producing around 80% of the airport business precinct's energy needs;
- Development of Climate Change Adaptation Plans for Adelaide and Parafield Airports to provide a framework for identifying potential risks to airport operations posed by climate change and to initiate the discussion around management measures that may be required to address the identified risks in the future;
- Partnering with SA Water to conduct an Urban Heat Island Reduction Trial aimed at investigating the use of irrigated areas for large scale temperature regulation. The value of this research was recently recognised by the SA Stormwater Industry Association, winning an award for Excellence in Research and Innovation;
- Commencement of a long-term study into the use of targeted vegetation types as a passive control measure to control the number and species of birds on the airfield, and consequently reducing the aviation safety risk associated with bird strikes;
- Participation in the Cooperative Research Centre for Contamination Assessment and Remediation of the Environment, Technical Working Group for perfluoroalkyl and polyfluoroalkyl substances, which is developing guidance for this group of emerging contaminants that will ultimately be adopted in State and Federal legislation; and
- The development of an advanced wildlife hazard management system, which incorporates mobile device application-based data collection, detailed lead indicator, and GIS map-based analysis and reporting.

AAL's environmental compliance and sustainability goals include complying with and/or exceeding legislative requirements, effecting change relating to the activities under the direct control of AAL, and influencing change through collaboration and negotiation with key stakeholders.

We are tracking well against our strategic objectives related to environmental compliance and reducing our environmental footprint as outlined in the Adelaide Airport Master Plan 2014.



# OUR PEOPLE

## ADELAIDE AIRPORT RECOGNISES THAT PUTTING 'PEOPLE' AT THE CORE OF THE COMPANY'S BUSINESS STRATEGY HELPS TO DRIVE GROWTH, INNOVATION AND LEADERSHIP.

In 2012 we set about revising our strategy for long-term growth and sustainable operations, with a strong focus on people, community and the environment. We recognised the role that society and the environment play in the economics and longevity of the business, our people and our reputation in the community when these elements work together.

When the 'People Strategy' is at the core of the business strategy it results in a more engaged, productive and 'happier' business and benefits the bottom line.

We have moved to a culture of empowerment and accountability, responsible for contributing to and fostering innovation, diversity and engagement, and integrating environmental considerations in the way we think and work.

Our Leadership Framework best demonstrates where we want to be as a business. This framework clearly articulates what great leadership looks like at Adelaide Airport by detailing leadership imperatives and key actions for each of the levels of leadership.

Our 'Moments That Matter' program continues to prove popular and has contributed to HR management.

In 2015/16 we conducted workshops across all departments focussing on our values and how we contribute to the strategic plan by living our company values and documenting how behaviours and actions translate differently across departments. We also considered what our values look like in practice, by describing 'Moments that Matter' to our customers (both internal and external), giving an impression of great service.

Our core value remains 'Our Promise to Each Other', which was launched in 2014 as an internal service charter.

Our Promise describes the commitment, attitude and behaviours expected of us to maintain a culture of great customer service. Our Promise ensures we hold ourselves and each other to the highest standards and ultimately defines how we are perceived as a company.

We are proud of our diverse workforce, with a team that represent various cultures, generations and nationalities, as well as a strong gender equality philosophy. Diversity and inclusion for us spans age, gender, culture, experience (we have highly skilled graduate engineers to 80-year-old volunteer 'ambassadors'), disabilities and the way we work and respect each other.

Our focus on diversity has seen female staff numbers increase year-on-year in what is traditionally a male-dominated industry. We recognise the need for flexible working arrangements, particularly given the challenges of our 24/7 airport operation.

In the past year, as a result of feedback from our staff engagement survey, we've introduced a new Performance Management System. This system allows our people and their managers/leaders to work together to plan, monitor and review their work goals and overall contribution to the company.

More than just an annual appraisal, our new system is a continual process of setting goals, assessing progress and providing on-going feedback through 'connecting conversations'.

In addition to our own team, Adelaide Airport looks to recognise the employee contributions of our service providers. For example, we have introduced the Security with Service Awards to recognise individuals employed by ISS who have made an outstanding contribution to the success of this contract.





**TOP HONOURS FOR  
EXCELLENCE IN HUMAN  
RESOURCES MANAGEMENT  
IN THE ASIA PACIFIC  
REGION IN 2016**



**Employee  
engagement  
score of 73.5%,  
up from 51%**

**Doubled  
investment  
in training and  
development**

**100%  
maternity  
leave return  
to work**



**Halved  
attrition  
rates**



**PROGRESS OVER  
PAST 3 YEARS:**

**Increased female  
employment  
by 5%**



**Equal gender  
promotions  
in 2015**



# OUR COMMUNITY

Adelaide Airport's partnership approach to community engagement and our community investment goes beyond individual events and activities. As an inner metropolitan airport, we are in an enviable position where we can build strong community values and influence future sustainability.

Our Community Investment Strategy is making a difference to the lives of people connected to the organisations we support, and in particular our employees are involved and personally invested in a multitude of community initiatives and events.

We're connecting with our customers in the community through strong partnerships. Adelaide Airport has developed a partnership approach to community engagement and our community investment. This aims to, among other things, encourage a culture of social inclusion and diversity, lead a culture of sustainability and enhance South Australia's reputation as a business centre and travel destination within the Asia Pacific region.

Adelaide Airport's Community Investment Strategy seeks to create tangible benefits across the environment, disability sector, arts, sport and charitable partners, whether it be financial assistance, in kind support or even volunteering by our own employees. Our role stretches from local community groups through to broader impacts across the Asia Pacific region.

## Community investment initiatives in the past year include:

- Royal Flying Doctor Service – supporting a dental health access program for remote areas;
- Surf Life Saving SA – purchase of Inflatable Rescue Boats;
- Power Community Ltd – sponsoring the Empowering Youth Program;
- SA Living Artists Festival – hosting the 'Great Southern Land' exhibition in the terminal;
- Brighton Jetty Classic Sculptures Exhibition – major partner;
- Adelaide Festival – presenting partner;
- Adelaide Youth Orchestras – social inclusion partner; and
- Art Gallery of South Australia – gallery partner.

## Our employees are involved and personally invested in a multitude of community initiatives and events, including:

- Adelaide Fringe – taking part in the Opening Parade;
- Power Community Ltd - visit to the RAAF Edinburgh base as part of the Empowering Youth Program;
- Surfing SA - voluntary participation in teaching people with disabilities to surf;
- Friends of the Patawalonga – volunteering for tree planting days within the Patawalonga Creek catchment, as well as supporting local organisations and schools; and
- Tauondi College – Indigenous IT and Business Administration students spend time with our staff on airport.

## COMMUNITY CONSULTATION

The future growth of our business, and of the State, will continue to be compatible with surrounding land uses through ongoing consultation with local stakeholders.

Adelaide and Parafield Airports both engage formally and informally with the community through a comprehensive consultation and communications program.

We conduct quarterly meetings of the airports' consultative committees and actively participate in presentations and engagement with community service clubs. Our printed newsletter 'Plane Talk' is circulated locally and we also use our website and social media channels to reach interested individuals and organisations.

Open and productive relationships with key stakeholders across industry and government foster productive outcomes for the State. For example, at Adelaide Airport, collaboration and coordination between the airport and State Government is critical for securing new international airline capacity, as has been demonstrated in recent years.

The relationship and cooperation with our landlord and regulator, the Commonwealth Department of Infrastructure and Regional Development, is required for our current operations and future plans.

Other relationships with stakeholders include Federal, State and local governments, our customers, on-airport tenants including retailers, airlines, and AAL shareholders. Local businesses, residents, employers, exporters, importers, tourism operators and the wider community also rely on a successful airport business.



**\$18<sup>+</sup>M**

Over \$18 million  
in tickets sales



Over \$3.7 million  
audiences at  
Major Events and  
Exhibitions



453 days of  
Major Events and  
Exhibitions supporting  
over 11,000 artists

**ECONOMIC  
CONTRIBUTION:  
AAL'S COMMUNITY  
INVESTMENTS  
CONTRIBUTED TO**



Over \$185 million  
in State Gross  
Expenditure through  
Major Events and  
Exhibitions

**\$50<sup>+</sup>M**

Over \$50 million  
in visitor spending  
from Major Events  
and Exhibitions

**\$2.8<sup>+</sup>M**

Over  
\$2.8 million  
in future social  
benefits

**\$2.3M**

Over \$2.3 million  
in social benefits



Royal Flying Doctor  
Service delivering 48,000  
episodes of emergency  
aeromedical care

**SOCIAL  
CONTRIBUTION:  
AAL'S COMMUNITY  
INVESTMENTS  
DELIVERING**



Every  
\$1 AAL invested;  
on average \$16 in  
social benefits

Increased  
motivation, gratitude  
and awareness  
of life's options for  
SACE students in  
the Empowering  
Youth Program

**AND SUPPORTED**



\$1.2 million costs  
avoided through rural  
and remote dental  
care in SA

Over 75,000 volunteer  
hours in land  
conservation,  
customer experience  
and staff  
engagement.



Surf Life Saving  
SA providing 15,067  
preventative actions

Showcasing the  
State's Cultural  
Diversity

**19%**

**DELIVERING  
ON STRATEGY  
THROUGH KEY FOCUS  
AREAS FOR OUR  
COMMUNITY  
INVESTMENT:**

Building Sustainable  
Communities in  
South Australia

**48%**

Champion Adelaide  
as a Vibrant City

**33%**



# PARAFIELD AIRPORT

## **PROGRESSIVE. INCLUSIVE. STABLE. THESE ARE THE PILLARS UPON WHICH WE ARE BUILDING THE FUTURE OF PARAFIELD AIRPORT.**

Parafield Airport Limited (PAL), a wholly owned subsidiary of Adelaide Airport Limited, operates Parafield Airport, South Australia's premier general aviation aerodrome and a major world-class international training airport. Renowned for delivering excellence in training, the airport is home to several flight training schools and is a business and retail hub for the northern suburbs.

The strong investment strategy in Parafield Airport infrastructure has continued throughout 2015/16 with maintenance projects including surface treatments of taxiways and sections of runways, as well as sealing edges around Helipad West, Taxiway Bravo and Runways 21L and 21R.

Following the re-branding of Adelaide Airport in 2014/15, Parafield Airport's brand and vision has been revisited this year. Through stakeholder consultation and a review of existing perceptions, Parafield Airport's brand pillars have been identified as progressive, inclusive and stable.

These present Parafield Airport as a forward thinking leader that not only helps individuals and businesses develop, but also brings a sense of balance and security to the community. They speak to the organisation's nature and character of embracing and welcoming ideas, people and businesses to create an environment that facilitates growth, development and prosperity for all.

Parafield Airport continues to invest in the community through its sponsorship program, supporting local events such as the Mobara Japanese Festival at Mawson Lakes, the City of Salisbury Australia Day Picnic and monthly Northern Business Breakfast events for businesses based in Adelaide's northern suburban area.

Parafield Airport remains focussed on our strong ongoing relationship with the local community and we consider public consultation to be an integral part of airport business. The Parafield Airport Consultative Committee and its subcommittee, the Parafield Airport Technical Working Group, continue to be effective in engaging and collaborating with the community.



PARAFIELD AIRPORT  
IS THE THIRD BUSIEST  
AIRPORT FOR FIXED  
WING MOVEMENTS IN  
AUSTRALIA.



# CORPORATE GOVERNANCE

Adelaide Airport Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

The relationship between the Board and senior management is critical to the Group's long term success. The Directors are responsible for the performance of the company in both the shorter and longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day-to-day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

## BOARD COMPOSITION

In accordance with the Shareholders Agreement the Board comprises a minimum of 4 and a maximum of 9 Directors (inclusive of the Managing Director).

Each shareholder holding not less than 15% of the issued shares of the company is entitled to nominate one or more Directors depending on the total proportion of shares held to the shares on issue.

The Directors may appoint one of their number as Chairman or an independent Chairman who would become a Director if so appointed. The Chairman is required to meet regularly with the Managing Director. The Board has the right to appoint Directors under the Company's Constitution.

The Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

## BOARD RESPONSIBILITIES

**The responsibilities of the Board include:**

- Providing strategic guidance to the company including contributing to the development of and approving the corporate strategy;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives within the financial limits set in the Shareholders Agreement;
- Overseeing and monitoring:
  - Organisational performance and the achievement of the Group's strategic goals and objectives
  - Compliance with the company's Code of Conduct
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors;
- Monitoring the effectiveness of the Company's governance practices;
- Appointment, performance assessment and, if necessary, removal of the Managing Director;
- Ensuring there are effective management processes in place and approving major corporate initiatives;
- Enhancing and protecting the reputation of the organisation; and
- Overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.



## **BOARD MEMBERS**

Details of members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' report under the heading "Information on Directors".

## **DIRECTORS' INDEPENDENCE**

Directors are appointed by the Board (or by the Shareholders in general meeting if so required by the Shareholders) in accordance with the Shareholders Agreement by nomination of the shareholders, and provision has been made in that agreement for the Directors to appoint a Chairman who is not one of their number who would as a consequence of that appointment become and be a Director. The Board has opted to appoint a Chairman who is independent from the shareholders of the Company.

## **NON-EXECUTIVE DIRECTORS**

The non-executive Directors are able to meet in scheduled sessions without the presence of management, to discuss the operation of the Board and a range of matters. Relevant matters arising from these meetings are to be shared with the full Board.

## **TERM OF OFFICE**

Nominee Directors hold office at the discretion of the appointing shareholder. Other Directors are appointed on a term of three years.

It is recognised that lengthy service on the Board may impact on a Director's independence and therefore non-nominee Directors must retire from office no later than completion of four terms of office (12 years).

## **CHAIRMAN**

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the company's senior executives.

## **MANAGING DIRECTOR**

The Managing Director is responsible for developing and implementing Group strategies and policies.

## **COMMITMENT**

The Shareholders Agreement requires that the Board meets at least once in each quarter of the financial year. Current practice is to hold a minimum of 10 meetings per annum.

The number of meetings of the company's Board of Directors and of each Board committee held during each financial year and the number of meetings attended by each Director are set out in the Directors' report under the heading "Meetings of Directors" in the annual statutory accounts for the Group.

## **CONFLICTS OF INTERESTS**

The Directors shall comply with all of their obligations either at law or under the Corporations Act in relation to potential or actual conflicts of interest provided always that the other Directors (i.e. who do not have a conflict or material interest in the matter) shall be at liberty, subject to proper disclosure having been made, to resolve to permit the Director with the potential or actual conflict of interest to participate in discussions and voting on the matter giving rise to the conflict. In general terms the Directors shall deal with each matter of conflict on its merits.

## **INDEPENDENT PROFESSIONAL ADVICE**

The Directors, both individually or as a group, in furtherance of their duties, may seek and obtain independent legal and professional advice from external sources at the expense of the Company. Prior to seeking such advice, Directors will seek the approval of the Chair, such approval not to be unreasonably withheld. Each Director has the right of access to all relevant Company information. A Director also has the right to have access to all documents which have been presented to meetings of the Board whilst in office, or made available in relation to their position as Director after ceasing to be a Director.

# CORPORATE GOVERNANCE

## PERFORMANCE ASSESSMENT

The Board undertakes an annual assessment of its collective performance, the performance of the Chairman and of its committees.

The Chairman undertakes an annual assessment of the performance of individual Directors and meets privately with each Director to discuss his assessment.

A review of the Board's performance was undertaken during the reporting period in accordance with the process set out above.

## CORPORATE REPORTING

The Managing Director and CFO have made the following certifications to the Board:

- That the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with the relevant accounting standards.
- That the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

## BOARD COMMITTEES

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the remuneration, audit and compliance, property development, and aeronautical and related infrastructure committees. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee has its own written charter setting out its role and responsibilities, composition and structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

Minutes of committee meetings once signed by the Chair of the committee are tabled at the immediately subsequent Board meeting.

Details of the meetings of committees and attendance of committee members are set out in the Directors' report under the heading "Meetings of Directors" in the annual statutory accounts for the Group.

## EXTERNAL AUDITORS

The company and audit and compliance committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

It is a requirement that the external auditor ensures that the lead engagement partner is rotated at least every five years.

The external auditor is expected to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.



## **RISK ASSESSMENT AND MANAGEMENT**

The Board through the audit and compliance committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the company Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The company risk management policy and the operation of the risk management and compliance system are managed by a Risk Management Committee comprising senior executives. The Board receives regular reports from this Committee.

Detailed control procedures cover management accounting, financial reporting, project appraisal, Health, Safety and Environment, IT security, compliance and other risk management issues. Internal audit carries out regular systematic monitoring of control activities and reports to both the relevant business unit and the Audit and Compliance Committee.

In addition each business unit reports on the key business risks in its area to the Risk Management Committee. The basis for this report is an annual review of the past performance of their area of responsibility, and the current and future risks they face. Results of internal audit work are incorporated into this review if applicable.

The Board reviews each element of corporate strategy over the course of the year according to the Board's cycle of business. The Board reviews the Group's strategic direction in detail and includes specific focus on the identification of the key business and financial risks which could prevent the company from achieving its objectives. The Risk Management Committee is required to ensure that appropriate controls are in place to effectively manage those risks.

In addition the Board requires that each major proposal submitted to the Board for decision is accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

## **DIVERSITY**

The Board attaches great importance to diversity, the corporate benefits arising from diversity and the importance of benefiting from all available talent.

## **CODE OF CONDUCT**

The Board is committed to the continuing development of the code of conduct for the guidance of Directors, officers and other key executives. The code is to be regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

## **SHAREHOLDER COMMUNICATION**

All shareholders receive a copy of the company's annual and half-yearly reports. In addition those reports are accompanied by a detailed report on the performance of the Group and other material issues prepared by the Managing Director.

Detailed briefings are provided to shareholders and bondholders at least once each year supported by a quarterly update publication.

