RISING ABOVE

ADELAIDE AIRPORT
FINANCIAL REPORT 15/16

CONTENTS

DIRECTORS' REPORT

ADELAIDE AIRPORT LIMITED
DIRECTORS' REPORT
30 JUNE 2016

Your Directors present their report on the consolidated entity consisting of Adelaide Airport Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016 (referred to hereafter as the Group or Adelaide Airport Limited or 'AAL').

DIRECTORS

The following persons were Directors of Adelaide Airport Limited during the whole of the financial year and up to the date of this report:

Robert Ian Chapman

John Frederick Ward

Mark Dennis Young

Alan James Mulgrew

James Leonard Tolhurst

James (Jay) Brendan Hogan

Christopher John McArthur

Alan Shang Ta Wu (Alternate for Christopher McArthur)

Kent Ian Robbins (Alternate for John Ward, James Tolhurst and Anne Howe)

Jane Elizabeth Yuile was appointed a Director on 1 June 2016 and continues in office at the date of this report.

Anne Dorothy Howe was a Director from the beginning of the financial year until her resignation on 4 February 2016.

PRINCIPAL ACTIVITIES

The Group acts principally within the airport industry in Australia by virtue of holding the leasehold interests in Adelaide and Parafield airports.

DIVIDENDS

Dividends paid or provided for to members during the financial year were as follows:

Dividends on Redeemable Preference Shares, which are classified as finance costs, amounting to $21.804 million were paid or provided for during the year (30 June 2015: $21.468 million).

	30 June 2016 $'000	30 June 2015 $'000
Final ordinary dividend of 13.13 cents (2015: 7.88 cents) per fully paid share paid on 30 June 2016	**25,000**	15,000
Interim ordinary dividend of 10.56 cents (2015: 7.88 cents) per fully paid share paid on 31 December 2016	**20,000**	15,000
Redeemable Preference Share dividend (in quarterly instalments)	**21,804**	21,468
	66,804	**51,468**

REVIEW OF OPERATIONS

The profit from ordinary activities before income tax amounted to $43.654 million (2015: $52.327 million)

Comments on the operations and the results of those operations are set out below:

(A) AERONAUTICAL SERVICES

Year on year aeronautical revenue of $93.596 million (2015: $88.287million) represented an increase of 6.0% principally due to increases in aeronautical volumes with actual passenger growth of 0.7% and annual CPI price increases.

REVIEW OF OPERATIONS (CONTINUED)

(b) *Non-aeronautical services*

Commercial trading revenue of $46.724 million (2015: $45.262 million) represented an increase of 3.2% across terminal trading, car park and other commercial revenue.

Property revenue of $44.709 million (2015: $43.240 million) represented a 3.4% increase on prior year, principally due to additional tenancies, annual increases in rent and utility recharges.

Investment property fair valuations saw an increase of 5% (2015: 8%) increase in value, this was largely due to a decrease in cash rates driving capital towards higher yielding assets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Working Capital Deficiency

The Group had current liabilities in excess of current assets as at 30 June 2016 amounting to $213.232 million. This deficiency is caused by the classification of $265.00 million of the Group's Medium Term Notes (the 2016 MTNs) as a 'current' liability as they mature in mid-September 2016. In May 2016 the Group established commitments for bank debt of $285 million with the funds scheduled to replace the maturing 2016 MTNs by mid-September 2016. The Bank debt provides funding for the maturing 2016 MTNs and an allowance for upcoming capital expenditure.

The directors are satisfied that there are reasonable grounds to believe that funds will be available to pay debts as and when they become due and payable.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

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

(c) the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

Adelaide Airport's Limited's (AAL) vision is to be a top tier Airport Business Centre in Asia Pacific, striving to deliver high quality facilities and services that are regarded as best in class, safe, secure and sustainable. As such, we are committed to managing and developing Adelaide and Parafield Airports in a sustainable manner. We are already a national leader in airport carbon management, being the first Australian airport achieving Airport Carbon Accreditation by Airports Council International. We also installed a 1.17MW solar PV system on our car park roof; the largest airport rooftop system in Australia.

These and other successes are underpinned by a philosophy to act in accordance with sustainable business principles and practices. In doing so we recognise that conducting business in a way that is environmentally, socially and economically responsible will enable our organisation to maintain a leadership position.

All compliance obligations, including those set under the Airports Act 1996 and Airports (Environment Protection) Regulations 1997, are rigorously pursued and monitored through our Environment Management System, and we continue to meet and, where possible, exceed relevant compliance standards.

INFORMATION ON DIRECTORS

Mr Robert (Rob) Ian Chapman, AssocDipBus FAICD, FFSIA *Chairman*

Rob was appointed to the Board as Chairman on 25 February 2014 and prior to this 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). Prior to these roles Rob had previously worked at Prudential Corporation, Colonial State Bank and the Commonwealth Bank across a variety of positions.

Rob currently serves as a Director on a number of prominent South Australian Boards including: Adelaide Football Club (Chairman), the South Australian Economic Development Board (Deputy Chairman), Barossa Infrastructure Ltd (Chairman), Perks Integrated Business Services (Chairman), Fortis Ago Corporate Advisory (Chairman), Vinomofo (Director) and Investment Attraction SA (Chairman). Rob is also a Member of the South Australian Economic Development Cabinet.

Rob is a Fellow of the Australian Institute of Company Directors and Financial Services Institute of Australasia and holds an Associate Diploma in Business from the South Australian Institute of Technology in 1982.

Special responsibilities

Chair of the Board

Member of the Property Development Committee

Member of the Aeronautical & Related Infrastructure Committee

Member of the Audit & Compliance Committee

Member of the Remuneration Committee

John Frederick Ward BSc, FAICD, FAIM, FAMI, FCILT, FRAeS *Director*

John joined the Board on the 28 August 2002 as a non executive director nominated by UniSuper Limited. He is a professional company director and corporate advisor. He retired as the General Manager Commercial of News Limited in 2001. Prior to joining News Corporation in 1994 he was Managing Director and Chief Executive of Qantas Airways Limited culminating a 25 year career with the airline in a variety of corporate and line management roles covering Australia, Asia, Europe and North America. He is an Honorary Life Governor of the Research Foundation of Information Technology and Director of Brisbane Airport Corporation Holdings. John is the immediate past Chairman of Wolseley Private Equity.

Special responsibilities

Chair of the Remuneration Committee

Member Audit & Compliance Committee

Member of the Property Development Committee

Member of the Aeronautical & Related Infrastructure Committee

INFORMATION ON DIRECTORS (CONTINUED)

Mark Dennis Young B.Ec, FCPA, FAICD, FCIS *Managing Director*

Appointed on 1 November 2011 as Managing Director of Adelaide Airport Limited

Prior to joining AAL, in July 2001, Mark was Finance Director for Macmahon Holdings Limited and enjoyed a 20 year career gaining experience in all aspects of that ASX listed, diversified Contract Mining, Civil Engineering and Building construction group, with operations throughout Australia and a significant presence in the Asia Pacific.

Mark is a non executive director of the Australian Airports Association, the South Australian Tourism Commission and the Airports Council International (Asia Pacific Regional Board).

He has a Bachelor of Economics (Accounting) at the University of Adelaide and is a Fellow of the Australian Society of Certified Practicing Accountants and a Fellow of the Australian Institute of Company Directors and has completed an Advanced Management Program at the Harvard Business School.

Special responsibilities

Managing Director

Member of the Property Development Committee

Member of the Aeronautical & Related Infrastructure Committee

Alan Mulgrew BA, GRAICD, JP
Director

Alan was appointed on the 6 September 2006 as a non executive director. Alan has had over thirty years experience as a senior aviation executive both within Australia and overseas, including responsibility for Perth and Sydney Airports. Since leaving Sydney Airport in 1997 Alan has provided strategic advice to numerous major institutions and served as a non executive board member on a number of high profile boards spanning Aviation, Energy, Construction, Infrastructure and Tourism.

Alan is currently a non executive Director of Tesla Corporation Pty Ltd, Queensland Airports Limited, Blue Lake Milling Pty Ltd and Cooperative Bulk Handling Ltd. He was formerly the Chairman of Tourism Western Australia, Western Power and Western Carbon Pty Ltd.

Alan has also served as Chairman and as a member on various Audit and Risk Management Committees related to Governance and Remuneration.

Special responsibilities

Chair of the Aeronautical & Related Infrastructure Committee

Member Property Development and Building Committee

Member of the Remuneration Committee

James Leonard Tolhurst B.Comm, MBA, FCPA, FCIS, FAICD *Director*

Jim was appointed on the 29 September 2004 as a non executive director nominated by UniSuper Ltd. 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. Jim has had over forty years of experience in accounting and administration.

Special responsibilities

Member of the Remuneration Committee

Chair of the Audit & Compliance Committee

Member Property Development and Building Committee

Member of the Aeronautical & Related Infrastructure Committee

James (Jay) Brendan Hogan MBA, AFAMI, JP *Director*

Jay was appointed on the 29 July 2009 as a non executive director nominated by Statewide Super. Jay has over 40 years' experience in the property development and construction industry around Australia and overseas across a broad range of property asset classes. Jay is currently Chairman of Mercure Kangaroo Island Lodge and was formerly Chairman of the Urban Construct Development Group, Bremerton Vintners and Sevenhill Wines. He currently has personal interests in property development, wine and tourism ventures. He was previously Chairman of the Land Management Corporation in South Australia from 1996 to 2004, Chairman of the South Australian Housing Trust Board, Chairman of the Torrens Catchment Water Board, Deputy Chairman of Homestart Finance Board and Past President of the Urban Development Institute of Australia. In 1998 he was awarded Life Membership of the Urban Development Institute of Australia in recognition of his contribution and services to the development industry.

Special responsibilities

Chair of the Property Development Committee

Member of the Aeronautical & Related Infrastructure Committee

Christopher John McArthur B.Eng., MBA, FAICD *Director*

Chris was appointed on the 30 March 2011 as a non executive director nominated by Colonial First State Managed Property Ltd as trustee of the CFS Global Diversified Infrastructure Fund. Chris is a Partner, Infrastructure Investments, at Colonial First State Global Asset Management, having joined in July 2007. Chris is a Director of Brisbane Airport Corporation Holdings and former Director of Perth Airport, and was inaugural Chairman of Airports Coordination Australia Ltd. Chris was previously the commercial head of Pacific National, the former Toll/Patrick rail joint venture, and held a variety of senior management roles with Qantas in Sydney and London, including as head of the QantasLink group of regional airlines.

Special responsibilities

Member of the Audit & Compliance Committee

Member of the Property Development Committee

Member of the Aeronautical & Related Infrastructure Committee

Jane Yuile B.Sc., MBA, FCA, FAICD
Director

Jane was appointed on the 1 June 2016 as a non executive director nominated by UniSuper Ltd. 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. Jane has a Masters of Business Administration and Bachelor of Science, and is a Fellow of the Institute of Chartered Accountants and Australian Institute of Company Directors.

Special responsibilities

Member of the Property Development and Building Committee

Member of the Aeronautical & Related Infrastructure Committee

Alan Shang Ta Wu M.Com, CFA, GAICD *Alternate Director*

Alan was appointed as an alternate director by Christopher McArthur on the 30 March 2011. Alan is Director, Infrastructure Investments of Colonial First State Global Asset Management (CFSGAM). Alan is responsible for the management of transport and utilities infrastructure assets and evaluation of new investment opportunities within the Infrastructure team. Alan has over 15 years of experience in the investment, management and divestment of infrastructure assets, as well as portfolio management. Alan was previously Head of Analytics and Asset Manager managing the Infrastructure Analytics Team. Alan was also actively involved in the establishment and growth of CFSGAM's flagship infrastructure funds in Australia.

Alan serves as director on the boards of First Gas, International Parking Group and Etihad Stadium. He is also an alternate director of Brisbane Airport. He has previously served as an alternate director of Perth Airport.

Kent Ian Robbins B. Bus (Property)
Alternate Director

The current Head of Property and Private Markets UniSuper Management Pty Ltd. Kent has over 20 years' experience in the finance industry, predominantly in superannuation and funds management, having joined UniSuper in November 2009. He is a current director of AquaSure (Victoria's Desalination Plant) and Plenary Health (Victoria's Comprehensive Cancer Centre). Kent is responsible for UniSuper's $5.9B Property portfolio, $5.8B Infrastructure portfolio and $0.3B Private Equity portfolio.

Kent has a Bachelor of Business majoring in Property from RMIT and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He is an Associate of the Australian Property Institute and Member of the Australian Institute of Company Directors.

Company secretaries

Brenton Cox, LLM (Cantab), LLB (Hons), GDLP, BCom (Acc), BFin

Brenton was appointed Executive General Manager Corporate Affairs, General Counsel and Company Secretary of Adelaide Airport at the end of 2013. Brenton has previously served as a non-executive director of Sydney Airport and Hobart Airport and worked with Macquarie Capital in London and Sydney, MAp Airports and Sydney Airport. Brenton started his career as a commercial lawyer for Fisher Jeffries and has a Masters of Law from Cambridge University in the UK, a First Class Honours Degree in Law from Adelaide University as well as a Bachelor of Commerce (Accounting and Corporate Finance) and Bachelor of Finance from Adelaide University. Brenton is admitted to practise as a solicitor and barrister of the Supreme Court of South Australia and the High Court of Australia. He is currently on the Boards of Seymour College, the South Australian Property Council and the South Australian Freight Council.

Shane Flowers, BSc, MSc, FCA, MAICD

Shane joined Adelaide Airport in October 2008 as Finance Manager and was appointed Chief Financial Officer on 21 February 2012 and Company Secretary on 28 March 2012. Prior to that Shane spent 10 years in private practice with PricewaterhouseCoopers across Audit and Transaction Services.

Shane is a Fellow of the Institute of Chartered Accountants in Ireland, a Member of the Australian Institute of Company Directors and has Bachelors and Masters degrees in Economics.

Shane is a non-executive director and Chair of the finance committee for the Jam Factory.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

Full meetings of directors			Meetings of committees: Audit and Compliance Committee		Remuneration Committee		Property Development Committee		Aeronautical & Related Infrastructure Development Committee	
	A	B	A	B	A	B	A	B	A	B
Robert Ian Chapman	10	10	6	6	2	2	10	10	10	10
John Frederick Ward	9	10	6	6	2	2	9	10	9	10
Mark Dennis Young *	10	10	6	6	2	2	10	10	10	10
Alan James Mulgrew	10	10	-	-	2	2	10	10	10	10
James Leonard Tolhurst	10	10	6	6	2	2	10	10	10	10
Jay Hogan	10	10	-	-	-	-	10	10	10	10
Christopher John McArthur	10	10	5	6	-	-	9	10	9	10
Jane Yuile	1	1	-	-	-	-	1	1	1	1
Anne Dorothy Howe	5	5	-	-	-	-	5	5	5	5
Alan Shang Ta Wu **	-	-	-	-	-	-	-	-	-	-
Kent Ian Robbins **	-	-	-	-	-	-	-	-	-	-

A = Number of meetings attended as a member

B = Number of meetings held during the time the Director held office or was a member of the committee during the period

* = Not a non-executive Director

** = Alternate Director

INSURANCE OF OFFICERS

During the financial year, Adelaide Airport Limited paid a premium to insure the directors and officers of the company and its controlled entities. The terms of the policy prohibit disclosure of the premiums paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

MMYoung

Mark Dennis Young

Director

James Leonard Tolhurst

Director

Adelaide

21 September 2016

Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Airport Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Adelaide Airport Limited and the entities it controlled during the period.

Andrew Forman
Partner
PricewaterhouseCoopers

Adelaide
21 September 2016

FINANCIAL STATEMENTS

These financial statements are the consolidated financial statements of the consolidated entity consisting of Adelaide Airport Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Adelaide Airport Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Adelaide Airport Limited

1 James Schofield Drive

Adelaide Airport SA 5950

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 3, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 21 September 2016. The Directors have the power to amend and reissue the financial statements.

ADELAIDE AIRPORT LIMITED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
	Notes	**30 June 2016 $'000**	30 June 2015 $'000
Revenue from continuing operations	3	**186,982**	178,727
Increments in fair value of investment properties	11	**16,745**	27,345
Other income	4	**889**	869
Employee benefits expense		**(17,023)**	(14,570)
Services & Utilities		**(40,978)**	(40,844)
Consultants & Advisors		**(4,157)**	(4,678)
General administration		**(7,977)**	(6,523)
Leasing & Maintenance		**(5,437)**	(5,164)
Profit/(loss) on disposal of property, plant & equipment		**22**	(22)
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)		**129,066**	135,140
Interest income	4	**2,276**	2,569
Finance costs		**(63,197)**	(67,310)
Depreciation & Amortisation expense	5	**(21,521)**	(19,584)
Impairment of property, plant & equipment		**(16)**	(8)
(Decrements)/increments in fair value of financial instruments		**(2,954)**	1,520
Profit before income tax		**43,654**	52,327
Income tax expense	6	**(12,664)**	(15,841)
Profit for the period		**30,990**	36,486

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

ADELAIDE AIRPORT LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
	Notes	**30 June 2016 $'000**	**30 June 2015 $'000**
Profit for the period		**30,990**	36,486
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	24(a), 1(l)	**(33,424)**	(10,618)
Changes in the fair value of foreign currency basis spread reserve, net of tax	24(a)	**8,671**	(1,517)
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings, net of tax	24(a)	**378**	77
Other comprehensive income for the period, net of tax		**(24,375)**	(12,058)
Total comprehensive income for the period		**6,615**	24,428

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

ADELAIDE AIRPORT LIMITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2016

	Notes	Consolidated 30 June 2016 $'000	30 June 2015 $'000
ASSETS			
Cash and cash equivalents	7	**68,116**	84,234
Trade receivables	8	**16,151**	14,129
Other receivables		**7,353**	6,937
Total current assets		**91,620**	105,300
Non-current assets			
Property, plant and equipment	9	**378,544**	367,564
Intangible assets	13	**184,764**	185,210
Prepaid operating lease	10	**121,711**	124,478
Investment properties	11	**351,700**	325,330
Receivables		**1,464**	-
Total non-current assets		**1,038,183**	1,002,582
Total assets		**1,129,803**	1,107,882
LIABILITIES			
Current liabilities			
Trade and other payables	14	**15,823**	21,081
Borrowings	15	**264,898**	284,874
Derivative financial instruments	21	**13,067**	33,261
Current tax liabilities		**4,632**	7,181
Provisions	16	**5,330**	3,430
Other current liabilities	17	**1,102**	430
Total current liabilities		**304,852**	350,257
Non-current liabilities			
Borrowings	18	**683,908**	575,431
Deferred tax liabilities	19	**95,436**	100,968
Provisions	20	**673**	1,283
Derivative financial instruments	21	**15,023**	12,892
Other non-current liabilities	22	**3,341**	2,096
Total non-current liabilities		**798,381**	692,670
Total liabilities		**1,103,233**	1,042,927
Net assets		**26,570**	64,955
EQUITY			
Contributed equity	23	**1,905**	1,905
Other reserves	24(a)	**(41,839)**	(17,464)
Retained earnings	24(b)	**66,504**	80,514
Total equity		**26,570**	64,955

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

ADELAIDE AIRPORT LIMITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

		Attributable to owners of Adelaide Airport Limited			
Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2014		1,905	(5,406)	74,028	70,527
Profit for the year		-	-	36,486	36,486
Other comprehensive income	24	-	(12,058)	-	(12,058)
Total comprehensive income for the period		**-**	**(12,058)**	**36,486**	**24,428**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	25	-	-	(30,000)	(30,000)
Balance at 30 June 2015		**1,905**	**(17,464)**	**80,514**	**64,955**
Balance at 1 July 2015		1,905	(17,464)	80,514	64,955
Profit for the year		-	-	30,990	30,990
Other comprehensive income	24	-	(24,375)	-	(24,375)
Total comprehensive income for the period		**-**	**(24,375)**	**30,990**	**6,615**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	25	-	-	(45,000)	(45,000)
Balance at 30 June 2016		**1,905**	**(41,839)**	**66,504**	**26,570**

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

ADELAIDE AIRPORT LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
	Notes	**30 June 2016 $'000**	30 June 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**208,613**	199,345
Payments to suppliers and employees (inclusive of GST)		**(97,626)**	(92,295)
		110,987	107,050
Interest and other borrowing costs paid		**(45,773)**	(43,397)
Income taxes (paid)		**(10,300)**	(633)
RPS dividend		**(21,804)**	(23,113)
Interest Received		**2,291**	2,548
Net cash inflow from operating activities	**34**	**35,401**	42,455
Cash flows from investing activities			
Payments for property, plant and equipment and investment properties		**(38,728)**	(26,284)
Proceeds from sale of property, plant and equipment		**22**	13
Payments for other non-current assets		**(346)**	(977)
Net cash (outflow) from investing activities		**(39,052)**	(27,248)
Cash flows from financing activities			
Proceeds from borrowings		**335,533**	25,295
Repayment of borrowings		**(303,000)**	(1)
Dividends paid to company's shareholders	25	**(45,000)**	(30,000)
Net cash (outflow) from financing activities		**(12,467)**	(4,706)
Net (decrease) increase in cash and cash equivalents		**(16,118)**	10,501
Cash and cash equivalents at the beginning of the financial year		**84,234**	73,733
Cash and cash equivalents at end of period	**7**	**68,116**	84,234

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

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Adelaide Airport Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Adelaide Airport Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The consolidated financial statements of the Adelaide Airport Limited Group comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

Early adoption of *AASB 9 Financial Instruments*

The Group has elected to early adopt new and revised Standards and interpretations, issued by the AASB, including AASB9 “Financial Instruments”, which are not yet mandatory.

The Group elected to early adopt the AASB 9 ‘Financial Instruments’ (2010) version including the hedge accounting chapter (added by AASB 2013-9 ‘Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments’), together with relevant consequential amendments to other standards, with a date of initial application of 1 July 2014 (mandatory adoption date is 1 January 2018).

The Group has adopted the two main phases relating to classification and measurement of financial assets and financial liabilities and hedge accounting. The new standard provides a simplified model for classifying and recognising financial instruments, and amends the hedge accounting requirements to align more closely with an entity’s risk management framework. The group decided to early adopt the standard as the new accounting policies would provide more reliable and relevant information. The new accounting policies and the impact on the Group financial statements are discussed in Note 1(k) and (l).

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial liabilities (including derivative instruments) at fair value and investment property.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(a) Basis of preparation (continued)

(vi) Current and net asset deficiency

Working Capital Deficiency

The Group had current liabilities in excess of current assets as at 30 June 2016 amounting to $213.232 million. This deficiency is caused by the classification of $265.00 million of the Group's Medium Term Notes (the 2016 MTNs) as a 'current' liability as they mature in mid-September 2016. In May 2016 The Group established a Bank debt of $285 million on similar terms to existing instruments which replace the maturing 2016 MTNs by mid-September 2016. The directors are satisfied that there are reasonable grounds to believe that funds will be available to pay debts as and when they become due and payable.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adelaide Airport Limited ('Company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the period then ended. Adelaide Airport Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Adelaide Airport Limited.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. Revenue is recognised for the major business activities as follows:

(i) Aeronautical Revenue

Aeronautical revenues comprise landing fees based on the Maximum Take Off Weight (MTOW) of aircraft or passenger numbers (as elected by airline customers); Passenger Facilitation Charges (PFC) based on passenger numbers and a recovery of Government mandated security charges on a per passenger basis. Income is recognised in the period in which passengers and aircraft access airport facilities.

(ii) Commercial Trading Revenue

Commercial trading revenue comprises concessionaire rent and other charges received. Sales rentals are recognised in respect of the period in which the sales to which they pertain arise. Other property rentals are recognised in the period for which the rental relates according to the lease documents.

(iii) Public Car parks

Public car park income is recognised when received from customers.

(iv) Lease Income

Property lease income comprises rental income from airport terminals, buildings and other leased areas. Revenue is recognised in the period for which the rental relates according to the lease documents.

(v) Interest Income

Interest income is recognised using the effective interest method.

(d) Government grants

Grants from the State and Federal government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(e) Income tax (continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

(i) Prepaid operating leases

AASB 117 Leases states that a characteristic of land is that it normally has an indefinite economic life and, if title to the leasehold land is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risk and rewards incidental to ownership in which case the lease of land will be an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments and is amortised over the lease term on a straight line basis unless another systematic basis is more representative of the pattern of benefits provided.

In accordance with AASB 140 Investment Property, it is possible for a lessee to classify a property interest held under an operating lease as an investment property. If it does, the property interest is accounted for as if it were a finance lease and, in addition, the fair value model is used for the asset recognised.

The consolidated entity has both land which is leased for operational functions such as runways and terminals and land which it classifies in accordance with AASB 140 Investment Property. Payment was made at the time of gaining title to the Adelaide Airport Lease for both operating land and land now classified as Investment property. The Consolidated entity has calculated the original (May 1998) valuation of the land that still remains as operational land and has recognised that as an asset being prepaid lease payment.

Prepaid lease payments represent the amount paid by the Group for the lease of operational land at Adelaide Airport. The prepaid lease amount is amortised on a straight line basis over the term of the lease.

In accordance with AASB 140 Investment Property, leasehold land attached to an investment property is accounted for as if it were a finance lease. The fair value model is used to value the asset.

(ii) Other leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight line basis over the lease term.

(g) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(g) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no later than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Financial assets, financial liabilities

(i) Classification

From 1 July 2014, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

(ii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(k) Financial assets, financial liabilities (continued)

(iii) Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. See note (j) for details on trade receivables.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

There have been no changes to the measurement of any existing financial assets or liabilities arising from the adoption of AASB 9.

(l) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows or hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 21. Movements in the hedging reserve in shareholders' equity are shown in note 24. The fair value of hedging derivatives is classified between non current and current classifications based on the timing of the cash flows associated with the derivative.

(l) Derivatives and hedging activities (continued)

Cash flow hedge

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

Amounts accumulated in equity are recorded in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for at the time of the hedge relationship rebalancing.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

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

Foreign currency basis spread reserve

The foreign currency basis spread reserve represents the fair value movement of the currency basis spread component of AAL's cross currency interest rate swaps which has been excluded from the hedging relationship. The currency basis spread component of the swaps is deferred in equity as a cost of hedging and released to the income statement over the life of the instruments.

There has been no change to the measurement or classification of any existing derivatives or hedged items arising from the adoption of AASB 9.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADELAIDE AIRPORT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2016
(CONTINUED)

(m) Fair value estimation (continued)

The nominal values less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Property, plant and equipment

The Group measures runways, taxiways, aprons, buildings, leasehold improvements and all other items of property, plant and equipment, excluding investment property (note (p)) at historic cost (or deemed cost upon transition to AIFRS) less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Tenant contributions

Tenant contributions relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

Depreciation

Depreciation is calculated on a straight line basis to write off the net cost amount of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

		Useful Life	***Depreciation Basis***
-	Owner occupied buildings	40 years	straight line
-	Leasehold improvements (including runways, taxiways and aprons)	8 yrs - balance of lease term	straight line
-	Plant & Equipment	3 -25 years	straight line
-	Computer & Other office equipment	2.5 - 5 years	straight line
-	Furniture & Fittings	10 - 16 years	straight line
-	Low value asset pool	3 years	diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statements.

As a result of obtaining the lease right to operate the airports from the Commonwealth, the Group obtained the right to use all property, plant and equipment associated with the airports.

Under the lease arrangement with the Commonwealth, all airport land, structures and buildings revert back to the Commonwealth at the end of the 99 year lease term. As a result, all structures and buildings are amortised by the Group over a period not exceeding 99 years commencing 28 May 1998.

(o) Maintenance and repairs

Aircraft pavements, roads, leasehold improvements, plant and machinery of the consolidated entity are required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged to the income statement during the financial period in which they are incurred, except where they relate to the addition of a new surface to the pavements or roads, in which case the costs are capitalised and depreciated as noted above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(p) Non current assets constructed by the consolidated entity

The cost of non current assets constructed by the consolidated entity includes the cost of all materials used in construction, contract design, administration, contract labour, and where appropriate direct labour and associated oncosts on the project, and borrowing costs incurred during construction.

Borrowing costs included in the cost of non current assets are those costs that would have been avoided if the expenditure on the construction of assets had not been made.

(q) Investment property

Investment property, principally comprising land, buildings and fixed plant and equipment, is held for long term rental yields and is not occupied by the group. Investment property is carried at fair value, determined by external valuers. Changes in fair values are recorded in the income statement as part of other income.

The property interest held by the Group in land and buildings at Adelaide and Parafield Airports is by way of an operating lease (note 12). The Group has classified certain areas of land and buildings as being investment property held by the Group only to earn rentals and not being held for the use of supplying aeronautical services or administrative services. Where land is reclassified from investment to operating it is revalued and transferred out at fair value.

(r) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of the acquisition of the operating leases for Adelaide Airport over the fair value of the net identifiable assets and liabilities of the airports at the date of acquisition. Goodwill on acquisition of the operating leases for Adelaide and Parafield Airports is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment against the total operations of the Group.

(ii) Revenue leases

The excess value of certain revenue generating operating leases acquired with the operating leases for Adelaide and Parafield Airports over the fair value of those leases is included in intangible assets. The intangible assets representing the excess value are amortised on a straight line basis over the balances of the term of those revenue operating leases to which they refer. Where those leases are terminated earlier than the termination date of the lease, the balance of the intangible asset is recorded in the income statement at the actual termination date.

(iii) Master planning costs

The Airports Act 1996 requires that a master plan be prepared for Adelaide and Parafield Airports and that these remain in force for a period of 5 years from the date of approval or until it is relaced by a new plan expected to be submitted 5 yearly. The costs of the preparation of the required master plans have been recorded as an intangbile asset and will be amoritsed over the expected life of the plans being 5 years.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

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

(u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(v) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(w) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. No provision is made for non vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non vesting leave will never be paid.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(w) Employee benefits (continued)

(iii) Executive Incentive Plan (EIP)

The Group recognises a liability and an expense for bonuses based on a formula that takes into account the appreciation in shareholder wealth arising from each year of the Group's operations which are payable after a period of four year's accumulation subject to certain conditions contained in a formal agreement.

(x) Contributed equity

Ordinary shares are classified as equity (note 24)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Redeemable Preference Shares

New Terminal Construction Company Pty. Limited ("NTCC") has issued $188.8 million Redeemable Preference Shares ("RPS") with a face value of $99 each to the shareholders of Adelaide Airport Limited which are redeemable for $100 (including a $1 premium) 10 years after their issue being the agreed date of 18 July 2024. Each RPS is stapled to an ordinary share in Adelaide Airport Limited. Interest payable is subject to there being distributable cash calculated in accordance with the terms of a Loan Note Deed Poll.

The holder of a RPS is entitled to a non cumulative dividend. Payment of a dividend is subject to there being funds legally available from a distribution under the ALN's from AAL to NTCC.

The RPS are classified in the balance sheet as non current liabilities, because they are a debt instrument.

Each RPS holder has agreed to subordinate their rights to the claims of Senior Creditors (as defined in the RPS Subordination Deed Poll). In particular, each RPS holder has agreed not to demand redemption of their RPS unless the Senior Creditors have been repaid the Senior Debt (as defined in the RPS Subordination Deed Poll) in full.

RPS may be redeemed on the redemption date (and the redemption proceeds paid to RPS holders) out of the proceeds of a new issue. Holders of RPS have agreed to be bound by any resolution passed by holders of 75% or more of the RPS to subscribe for a new issue of RPS on the same terms.

The full terms of issue of the RPS are contained in the Constitution of New Terminal Construction Company Pty Ltd.

(z) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(r). Value in use calculations are based on a long term financial model (to 2048) using forward estimates of cash flows arising from the Group's operations, economic assumptions and impact key drivers such as passenger traffic, property lease market rates and CPI. The estimated cash flows are subject to a discounted cash flow analysis which also contains assumptions regarding an appropriate discount rate, which reflects the risks pertaining to the Group's operations.

(ii) Investment properties

The Group fair values investment properties. Property valuations are calculated by third party specialists who make assumptions regarding the future movements in rental rates, vacancy up take and development costs.

(b) Critical judgements in applying the entity's accounting policies

The assets and liabilities that are subject to fair value estimation are investment properties and derivative financial instruments. Further information on the methodology used in measuring these assets and liabilities is described in notes 11 and 21.

3 REVENUE

	30 June 2016 $'000	30 June 2015 $'000
From continuing operations		
Sales revenue		
Aeronautical revenue	**93,596**	88,287
Commercial trading revenue	**46,724**	45,262
Property revenue	**44,709**	43,240
Other revenue	**1,953**	1,938
	186,982	**178,727**

4 OTHER INCOME

	30 June 2016 $'000	30 June 2015 $'000
Other income		
Interest income	**2,276**	2,569
Other income	**889**	869
Total other income	**3,165**	3,438

5 EXPENSES

	30 June 2016 $'000	**30 June 2015 $'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**6,877**	6,500
Leasehold improvements and buildings	**12,338**	11,138
Total depreciation	**19,215**	17,638
Amortisation		
Property lease	**170**	170
Master Plan Costs	**622**	266
Prepaid operating lease	**1,514**	1,510
Total amortisation	**2,306**	1,946
Total depreciation and amortisation	**21,521**	19,584

5 EXPENSES (CONTINUED)

Impairment of Assets		
Impairment of property, plant & equipment	**16**	9
Rental expense relating to operating leases		
Minimum lease payments	**156**	157
Total rental expense relating to operating leases	**156**	**157**
Finance costs		
Dividends on RPS paid and/or provided	**21,804**	21,468
Interest paid or payable	**39,537**	45,941
Amortisation of borrowing costs	**1,688**	1,613
Redemption Premium Expense	**168**	219
Amount capitalised	**-**	(1,931)
Total finance costs	**63,197**	67,310
Employee benefits expenses		
Provision for employee benefits	**3,259**	1,439
Net (gain)/loss on disposal of non-current assets	**(22)**	5

6 INCOME TAX EXPENSE

(a) Income tax expense

	30 June 2016 $'000	30 June 2015 $'000
Current tax	8,195	7,715
Deferred tax	4,914	8,027
Adjustments for current tax of prior periods	(445)	99
	12,664	15,841
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 12)	374	(1,083)
Increase in deferred tax liabilities (note 19)	4,540	9,110
	4,914	8,027

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2016 $'000	30 June 2015 $'000
Profit from continuing operations before income tax expense	43,654	52,327
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	13,096	15,698
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expense	13	44
Under/(over provided) in prior years balance	(77)	99
Research and Development Expenditure	(368)	-
Income tax expense	**12,664**	**15,841**

(c) Amounts recognised directly in equity

	30 June 2016 $'000	30 June 2015 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax - debited (credited) directly to equity	(10,446)	(5,168)

6 INCOME TAX EXPENSE (CONTINUED)

(d) Tax consolidation legislation

Adelaide Airport Limited and its wholly owned entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Adelaide Airport Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Adelaide Airport Limited for any current tax payable assumed and are compensated by Adelaide Airport Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Adelaide Airport Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	30 June 2016 $'000	30 June 2015 $'000
Cash at bank and in hand	**51,741**	68,255
Distribution account	**1,991**	1,954
Cash reserves at bank *	**14,384**	14,025
	68,116	84,234

Cash and cash equivalents are financial assets held at amortised cost.
* Cash reserves established subject to certain conditions in the Security Trust Deed, are debt service reserves not available for general working capital use.

8 CURRENT ASSETS - TRADE RECEIVABLES

	30 June 2016 $'000	30 June 2015 $'000
Net trade receivables		
Trade debtors	**16,248**	14,157
Provision for impairment of debtors	**(97)**	(28)
	16,151	14,129

Trade receivables are a financial asset held at amortised cost.

8 CURRENT ASSETS - TRADE RECEIVABLES (CONTINUED)

(a) Past due but not impaired

As at 30 June 2016, trade receivables of $9,188,000 (2015 $9,594,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	30 June 2016 $'000	30 June 2015 $'000
0 - 30 days	**8,172**	7,564
31- 60 days	**3,973**	4,010
61- 90 days	**2,673**	981
+91 days	**1,430**	1,602
	16,248	14,157

Other balances within trade and other receivables do not contain impaired assets and are not past due. There are no known material collection issues in regard to trade receivables neither past due nor impaired at balance date.

(b) Allowance for impaired loss

Trade receivables are non interest bearing and receivable no later than 30 days from the date of recognition. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the provision for impairment loss were as follows:

	30 June 2016 $'000	30 June 2015 $'000
As at 1 July	**(28)**	(72)
Provision for impairment (recognised)/released during the year	**(69)**	44
	(97)	(28)

(c) Collateral and other credit enhancements obtained

Where required, collateral is requested from commercial tenants in the form of either a bank guarantee, Directors' guarantee or security deposit.

(d) Related party receivables

For terms and conditions of related party receivables refer to note 32. For details on cross guarantee refer note 34.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

9 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Construction in progress $'000	Leasehold buildings and improvements $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2015				
Opening net book amount	16,903	295,720	46,644	359,267
Additions	18,593	4,018	3,338	25,949
Disposals	-	-	(5)	(5)
Depreciation charge	-	(11,138)	(6,500)	(17,638)
Impairment loss	-	(2)	(7)	(9)
Closing net book amount	35,496	288,598	43,470	367,564
At 30 June 2015				
Cost or fair value	35,496	396,754	110,335	542,585
Accumulated depreciation	-	(108,156)	(66,865)	(175,021)
Net book amount	35,496	288,598	43,470	367,564
Year ended 30 June 2016				
Opening net book amount	35,496	288,598	43,470	367,564
Additions	(19,413)	35,611	14,013	30,211
Depreciation charge	-	(12,338)	(6,877)	(19,215)
Impairment loss	-	(5)	(11)	(16)
Closing net book amount	16,083	311,866	50,595	378,544
At 30 June 2016				
Cost	16,083	432,364	124,341	572,788
Accumulated depreciation	-	(120,498)	(73,746)	(194,244)
Net book amount	16,083	311,866	50,595	378,544

(a) Valuations of land and buildings

Property, plant and equipment is carried at its cost less any accumulated depreciation in accordance with the cost model in AASB 116 Property, Plant and Equipment.

(b) Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the Group.

(c) Impairment loss and compensation

The consolidated entity incorporates an impairment expense, representing write off of operational tangible assets at Parafield airport. Operational cash flows at Parafield are not considered sufficient to support the carrying value of the operational asset base.

10 NON-CURRENT ASSETS - PREPAID OPERATING LEASE

	30 June 2016 $'000	30 June 2015 $'000
At cost	**146,251**	147,535
Accumulated amortisation	**(24,540)**	(23,057)
	121,711	124,478

	30 June 2016 $'000	30 June 2015 $'000
Prepaid operating lease movements		
Opening balance 1 July	**124,478**	119,804
Revaluation gain on transfer to investment properties	**540**	110
Reclassification from operating to investment	**(1,793)**	(196)
Reclassification from investment to operating	**-**	6,270
Amortisation	**(1,514)**	(1,510)
	121,711	124,478

11 NON-CURRENT ASSETS - INVESTMENT PROPERTIES

	30 June 2016 $'000	30 June 2015 $'000
Investment properties at fair value	**351,700**	325,330
	351,700	**325,330**

	30 June 2016 $'000	30 June 2015 $'000
Investment properties movements **At fair value**		
Opening balance 1 July	**325,330**	301,210
Capitalised subsequent expenditure	**7,832**	2,849
Net gain from fair value adjustments	**16,745**	27,345
Reclassification from investment to operating use	**-**	(6,270)
Reclassification from operating to investment	**1,793**	196
	351,700	325,330

11 NON-CURRENT ASSETS - INVESTMENT PROPERTIES (CONTINUED)

(a) Valuation basis

Investment properties are independently valued for fair value purposes by Knight Frank Pty Ltd. Knight Frank undertake full scope valuations of investment properties once every 3 years, and adopt 'desktop' review methods in years 2 and 3. Financial year 2016 represents the first year of a cycle.

'Desktop' valuation processes adjust and flex full valuations with reference to building price indices, inflation, interest rates and other factors which may impact market value. 'Full scope' valuation processes incorporate all of the above plus site inspections.

Knight Frank use a variety of valuation methods appropriate to the circumstances of an individual property including:

- Direct Comparison. This method is used for valuing freehold land and involves comparing sales of similar properties in the same or similar areas. This method is very reliable where there is a sufficient sample size. It assumes that the seller and buyer are prudent and are well informed as to recent sales of properties similar to that which is being offered.
- Capitalisation. This method capitalises an actual or imputed net rental income at an appropriate yield. The capitalisation rate adopted is derived from drawing comparisons with similar investment sales that have transacted in the market place. The capitalisation rate is an expression of the perceived risks associated with the investment relating to such factors as the protection of capital invested and anticipated appreciation, security of income and cash flow, time frame for the return of capital, liquidity, saleability and investor demand for the property, economic factors including inflation, term and covenants of the lease, rental structure, financial backing of the sitting tenant etc. Research, investigation and analysis of sales of similar type investment properties is undertaken to determine appropriate rental and capitalisation rates.

  Appropriate capital adjustments are then made, where necessary, to reflect the specific cash flow profile and the particular characteristics of the property. Such adjustments include rental shortfalls/profit rent being received (as compared with the market rents adopted in the valuation calculations), leasing fees, loss of rental during the potential let up period and incentives to reflect the value of the tenancies with vacant possession and any imminient lease expiries, as opposed to existing long term leases.
- A Discounted Cash Flow (DCF) analysis has also been carried out over an investment horizon of 10 years. The discounted cash flow technique focuses on the overall cost consequences of an investment, considering the amount and timing of inflows and outflows and the targeted rate of return over the notional holding period of ten (10) years, and also makes an allowance for 'terminal value.'

  The value derived by the DCF approach is assessed by discounting the net cash flow over the investment horizon to a present value at a rate reflecting the desired return, or overall yield, commensurate with the quality of the property and the stature of the lease covenants.

11 NON-CURRENT ASSETS - INVESTMENT PROPERTIES (CONTINUED)

(b) Fair value measurements of financials statements

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group has investment property assets which were fair valued at $351.700 million (30 June 2015: $325.330 million) and are classified as level 2 in the hierarchy for the purposes of AASB 13.

Refer to Note 21 Derivative financial instruments for fair value measurement disclosure on interest rate swaps.

(c) Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the parent entity or its controlled entities.

(d) Contractual obligations

Refer to note 29 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(e) Leasing arrangements

The investment properties are leased to tenants under long term operating leases with rental payments monthly.

	30 June 2016 $'000	30 June 2015 $'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	**24,929**	23,220
Later than one year but not later than 5 years	**105,838**	105,058
Later than five years	**149,904**	148,630
	280,671	276,908

12 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	30 June 2016 $'000	30 June 2015 $'000
The balance comprises temporary differences attributable to:		
Other	**710**	629
Provisions	**1,830**	1,422
Borrowings	**9,927**	-
Cash flow hedges	**23,161**	12,553
Gain/loss on fair value hedges	**(9,497)**	1,293
Set-off of deferred tax liabilities pursuant to set-off provisions (note 19)	**(26,131)**	(15,897)
Total deferred tax assets	**-**	-

Movements:		
Opening balance at 1 July	**15,897**	9,613
(Charged)/Credited to the income statements	**(374)**	1,083
Credited to equity	**10,608**	5,201
Closing balance at 30 June	**26,131**	**15,897**
Deferred tax assets expected to be recovered within 12 months	**1,830**	1,422
Deferred tax assets expected to be recovered after more than 12 months	**24,301**	14,475
	26,131	15,897

13 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Goodwill $'000	Master Plan Costs	Property Leases $'000	Total $'000
Year ended 30 June 2016				
Opening net book amount	179,410	1,577	3,683	184,670
Additions - acquisition	-	977	-	977
Amortisation charge	-	(267)	(170)	(437)
Closing net book amount	179,410	2,287	3,513	185,210
Cost	179,410	2,553	20,853	202,816
Accumulation amortisation and impairment	-	(266)	(17,340)	(17,606)
Net book amount	179,410	2,287	3,513	185,210
Year ended 30 June 2016				
Opening net book amount	179,410	2,287	3,513	185,210
Additions - acquisition	-	346	-	346
Amortisation charge	-	(622)	(170)	(792)
Closing net book amount	179,410	2,011	3,343	184,764
At 30 June 2016				
Cost	179,410	2,899	20,853	203,162
Accumulated amortisation	-	(888)	(17,510)	(18,398)
Net book amount	179,410	2,011	3,343	184,764

(a) Impairment tests for goodwill

Impairment of goodwill is determined against the total operations of the Group.

Fair value calculations are based on a long term financial model (to 2048) using forward estimates of cash flows arising from the Group's operations, economic assumptions that impact key drivers such as passenger traffic, property lease market rates and CPI. The estimated cash flows are subject to a discounted cash flow analysis which also contains assumptions regarding an appropriate discount rate, which reflects the risks pertaining to the Group's operations.

(b) Key assumptions

(i) Passenger traffic forecasts

The Group engages independent third party specialists to estimate forward passenger and aircraft traffic flows. These estimates are based on historic trends and economic factors affecting the market for air travel and air freight. Traffic forecasts are applied to estimates of aeronautical prices using a building block model.

(ii) Property lease rentals

The Group engages independent third party specialists to advise on future estimates for property lease market rates and applies those rates to its current lease income making additional assumptions on the let up periods for terminating leases, appropriate best use for available properties and opportunities for letting additional properties.

13 NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONTINUED)

(c) Impact of possible changes in key assumptions

The recoverable amount of goodwill exceeds the carrying value of goodwill at 30 June 2016 by an amount which is sufficient to ensure there is no potential for impairment to goodwill in the foreseeable future. Management does not consider a likely change in any of the key assumptions will have a material impact on the recoverable amount.

14 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	30 June 2016 $'000	30 June 2015 $'000
Trade payables	**3,861**	3,828
Other payables	**11,962**	17,253
	15,823	21,081

Trade payables are financial liabilities held at amortised cost.

15 CURRENT LIABILITIES - BORROWINGS

	30 June 2016 $'000	30 June 2015 $'000
Borrowings	**264,898**	284,874
Total current borrowings	**264,898**	284,874

Current borrowings are financial liabilities held at amortised cost.

Current borrowings of $264.9 represent A$265 million in Medium Term Notes (net of unamortised borrowing costs), which are set to mature in September 2016. In May 2016 the Group established commitments for bank debt of $285 million with the funds scheduled to replace the maturing 2016 MTNs by mid-September 2016. The Bank debt provides funding for the maturing 2016 MTNs and an allowance for upcoming capital expenditure.

16 CURRENT LIABILITIES - PROVISIONS

	30 June 2016 $'000	30 June 2015 $'000
Annual leave	1,178	1,047
Long service leave	1,977	1,831
EIP provision	2,175	552
	5,330	3,430

17 CURRENT LIABILITIES - OTHER CURRENT LIABILITIES

	30 June 2016 $'000	30 June 2015 $'000
Retentions and deposits	277	354
Deferred revenue	825	76
	1,102	430

18 NON-CURRENT LIABILITIES - BORROWINGS

	30 June 2016 $'000	30 June 2015 $'000
Secured		
Medium Term Notes 2016	-	264,205
Bilateral Banking Facility	113,055	131,461
US Bonds	382,065	(8,832)
Total secured non-current borrowings	495,120	386,834
Redeemable Preference Shares	188,788	188,597
Total non-current borrowings	683,908	575,431

Borrowings are financial liabilities held at amortised cost.

18 NON-CURRENT LIABILITIES - BORROWINGS (CONTINUED)

(a) Standby arrangements and credit facilities

The following lines of credit were committed to at balance date:

	30 June 2016 $'000	30 June 2015 $'000
Working capital facility	**20,000**	20,000
Bilateral Bank Facility (2018)	**165,000**	165,000
Bilateral Bank Facility (2021,2023)	**285,000**	-
US Bonds - Institutional Accredited Investors	**335,500**	335,500
Used at balance date	**(450,000)**	(132,500)
	355,500	388,000

* The USD Bond facility has been converted at the agreed conversion swap rate.

(b) Secured liabilities and assets pledged as security

	30 June 2016 $'000	30 June 2015 $'000
Medium Term Notes 2016	**-**	264,205
Bilateral Banking Facility	**113,055**	131,461
US Bonds	**382,065**	(8,832)
Total secured liabilities	**495,120**	386,834

i. Lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default.

ii. The Medium Term Notes 2016 (MTN's 2016) are a secured credit wrapped Australian capital markets issue. The MTNs 2016 are issued in registered form with a financial guarantee from MBIA Insurance Corporation. The proceeds from the 22 August 2006 issue ($265 million) were used to refinance existing senior bank debt obtained to finance the construction of the New Terminal. The notes consist of $165 million where interest is payable quarterly based on the 90 day BBSW bank bill rate plus a margin of 0.25% and $100 million where interest is payable half yearly with a fixed rate of 6.25%. Interest rate swap facilities have been used to effectively fix the interest rate for the variable portion.

iii. The $120 million Bilateral Banking Facility was re-priced and extended to $165 million on 16 June 2014. The facility will mature in April 2018. This Bilateral Bank debt facility is between the Australia and New Zealand Banking Group and Westpac Banking Corporation and provides funding for capital expenditure and general corporate purposes. This also includes borrowing costs associated with $285 million Bilateral Facility agreements that will be drawn down prior 2016 MTNs maturing in September 2016. The bank loan maturities will be evenly split over 5 and 7 years with Westpac Banking Corporation, Commonwealth Bank of Australia, Sumitomo Mitsui Banking Corporation and Industrial and Commercial Bank of China Limited

18 NON-CURRENT LIABILITIES - BORROWINGS (CONTINUED)

(b) Secured liabilities and assets pledged as security (continued)

iv. The 'US Bonds' are a secured unwrapped US Private Placement bond issuance, split between US dollar denominated bonds (USD$225 million) and Australian dollar denominated bonds (AUD$50 million) with a commencement date of 15 September 2015. Maturities on the bonds vary between 10, 12 and 15 years. Interest is payable bi-annually, with the 10-year (USD$71 million) issue priced at 155bps above US Treasuries, the 12-year (USD$87 million) priced at 165bps above US Treasuries, and the 15-year (USD$67 million) issue priced at 180bps above US Treasuries. The AUD bonds (A$50 million) were split evenly between a 10-year floating direct issue and a 15-year fixed AUD issue. The 10 year issue priced at 165 points above US Treasuries including AUD swap costs. The 15-year fixed AUD issue priced at 190 points above US Treasuries including swap costs.

v. The $285 million Bank Loans are Bilateral Facility Agreements that will be drawn down prior to 2016 MTNs maturing in September 2016. The bank loan maturities will be evenly split over 5 and 7 years and with four counterparties.

vi. The Medium Term Notes, US Bonds, Bank Loans and Bilateral Bank debt facility are secured by floating charges over the assets of the Group.

(c) Redeemable Preference Shares

The Redeemable Preference Shares ("RPS") have been issued by New Terminal Construction Company Pty Ltd (NTCC) in units of $99 totalling $188.563 million. The RPS have been stapled to the ordinary shares issued by Adelaide Airport Ltd on a one for one basis. The two components cannot be traded separately. The rights to the loan notes are subordinated to all other creditors and distributions to security holders comprise dividends paid on the RPS. The amount of dividend payable on the RPS is the amount of interest paid to NTCC by the Company on the Airport Loan Notes.

The Redeemable Preference Share instruments ($188.6 million) have a maturity date of 18 June 2024.

19 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	30 June 2016 $'000	30 June 2015 $'000
The balance comprises temporary differences attributable to:		
Accrued revenue and interest	877	459
Investment property	72,255	64,111
Property, plant and equipment	7,815	8,878
Intangible assets	1,606	1,740
Prepaid operating lease	36,262	37,092
Borrowing costs	31	277
Borrowings	-	1,749
	118,846	114,306
Amounts recognised directly in equity		
Investment property	2,721	2,559
Total deferred tax liabilities	**121,567**	116,865
Set-off of deferred tax liabilities pursuant to set-off provisions (note 12)	(26,131)	(15,897)
Net deferred tax liabilities	**95,436**	100,968

19 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES (CONTINUED)

Movements:		
Opening balance at 1 July	**116,865**	107,722
Charged to the income statements	**4,540**	9,110
Charged to equity	**162**	33
Closing balance at 30 June	**121,567**	116,865
Deferred tax liabilities expected to be settled within 12 months	**877**	459
Deferred tax liabilities expected to be settled after more than 12 months	**120,690**	116,406
	121,567	**116,865**

20 NON-CURRENT LIABILITIES - PROVISIONS

	30 June 2016 $'000	30 June 2015 $'000
Long service leave	**238**	287
Provision for EIP	**435**	996
	673	1,283

21 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2016 $'000	30 June 2015 $'000
Current liabilities		
Cross currency swaps	**1,984**	19,096
Interest rate swaps	**11,083**	14,165
Total current derivative financial instrument liabilities	**13,067**	33,261
Non-current liabilities		
Cross currency swaps	**(41,404)**	(10,796)
Interest rate swaps	**56,427**	23,688
Total non-current derivative financial instrument liabilities	**15,023**	12,892
	28,090	46,153

21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The non-current portion of the cross currency swaps, which is currently in an asset position, has been included within non-current liabilities to reflect the total swap position which is an overall liability.

The company's activities expose it to market risk (foreign currency risk and interest rate risk) and credit risk. In order to minimise any adverse effects on the financial performance of the company, derivative financial instruments including cross currency swaps and interest rate swaps are used to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

Financial risk management is controlled under policies approved by the Board of Directors.

(a) Risk exposures

Market Risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on its USD denominated borrowings.

The Group's Risk Management Policy is to fully hedge currency risks arising from foreign currency denominated borrowings from the initial principal exchange through to maturity and repayment of the borrowing. At 30 June 2016, all of foreign currency denominated debt was hedged in respect of foreign currency risk.

AAL has entered into cross currency interest rate swaps to hedge its exposure to foreign currency risk. From the commencement of US Bonds drawdown, AAL has designated the benchmark AUD interest cash flows as a fair value hedge, the principal exchange, the USD fixed interest cash flow and AUD interest margin cash flows as a cash flow hedge. The currency bases spread incorporated within the margin on the hedging instrument has been excluded from the hedging relationship and deferred in the foreign currency basis spread reserve.

For all of the relationships the terms of the hedging instruments have been specifically structured to match the underlying terms of the hedged item and therefore the hedges are expected to be highly effective both at designation and at all future measurement dates. All foreign exchange rate risk is mitigated from the relationship as the receive leg of the cross currency swaps will always exactly mirror the terms of the issued currency debt.

As at the end of the reporting period, the group had the following foreign currency denominated borrowings and cross currency swap contracts outstanding:

The notional principal amounts of the cross currency interest rate swap contracts are as follows:

	30 June 2016 $'000	30 June 2015 $'000
Outstanding derivative contracts		
US Bonds	**285,500**	285,500
Cross currency swaps (notional amount)	**(285,500)**	(285,500)
	-	-

21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Risk exposures (continued)

(ii) Interest rate risk

Certain borrowings of the consolidated entity are subject to interest rate payments which are calculated by reference to variable bank bill reference rates. It is a Board policy to protect not less than 75% of the loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

Fixed loans and swaps currently in place cover 84% (2015: 86%) of the loan principal outstanding. The average fixed interest rate is 5.4% (2015: 5.0%) and the variable rates are based on the 90 day BBSY (bid) bank bill rate or 90 day BBSW bank bill rate.

Foreign currency interest rate risks have been fully hedged and converted to a floating AUD interest rate exposure through the use of cross currency swaps as described above.

The floating AUD BBSW exposure arising from AAL's portfolio of AUD debt instruments and the synthetic AUD exposure arising from the cross currency swaps is hedged through the use of interest rate swaps. Under these swaps, the group agrees with other parties to receive, at specified intervals, a series of fixed USD interest cash flows and USD principal amount, and pay a series of floating rate AUD interest cash flows and AUD principal amount.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2016 no amounts were recorded in profit and loss in respect of ineffective hedges.

Effects of applying hedge accounting

The effects of applying hedge accounting on the company's financial position and performance are as follows:

	30 June 2016 $'000	30 June 2015 $'000
Derivative Financial Instruments - interest rate swaps		
Carrying amount (liability) relating to cash flow hedges	**(67,510)**	(37,853)
Change in value of hedged item used to determine hedge effectiveness of cash flow hedges	**29,657**	13,346

21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Risk exposures (continued)

	30 June 2016 $'000	30 June 2015 $'000
Derivative Financial Instruments - cross currency swaps		
Carrying amount relating to fair value hedges	**31,657**	(4,309)
Carrying amount relating to cash flow hedges	**(2,458)**	(1,824)
Carrying amount relating to currency basis spread	**10,220**	(2,167)
Change in value of hedged item used to determine effectiveness of fair value hedges	**(38,920)**	5,829
Change in value of hedged item used to determine hedge effectiveness of cash flow hedges	**(17,456)**	1,945

Fair Value Hedge Movement

The gain or loss from re-measuring hedging instruments used in fair value hedges is recorded in the income statement. To the extent these hedges are effective, offsetting entries are recorded against the underlying debt instruments. In the year ended 30 June 2016 the ineffective portion resulted in a $2.954 million loss (2015: $1.520 profit) which relates to the credit risk included in the valuation of derivatives. In the year ended 30 June 2016 there was an increase in the fair value derivative asset of $35.97 million due to decrease in the Australian interest rates. Fair value hedge movements offset in the income statement against the hedged item were $38.92 million.

Cash Flow Hedge Movement

The gain or loss from re-measuring the hedging instruments relating to cash flow hedges is deferred in equity in the hedge reserve, to the extent that the hedge is effective, and reclassified to the income statement when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year 30 June 2016, there were no amounts relating to cash flow hedges recognised in the income statement (2015: nil). In the year ended 30 June 2016 there was an increase in the derivative liability of $17.90 million due to the decrease in US and Australian interest rates and depreciation in the Australian dollar exchange rate with US dollar during the year.

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period.

Refer to Note 24 for movements in the cash flow hedge reserve and foreign currency spread reserve.

Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers. The consolidated entity has a material exposure to the major Australian Domestic Airlines. Interest rate swaps are subject to credit risk in relation to the relevant counterparties, which are high quality financial institutions.

21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The interest rate swap derivative financial instrument used for hedging purposes is fair valued at $28.09 million (30 June 2015: $46.15 million). These instruments are classified as level 2 in the hierarchy for the purposes of AASB 13.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

22 NON-CURRENT LIABILITIES - OTHER NON-CURRENT LIABILITIES

	30 June 2016 $'000	30 June 2015 $'000
Deferred income	3,341	2,096
	3,341	**2,096**

23 CONTRIBUTED EQUITY

	30 June 2016 Shares	30 June 2015 Shares	**30 June 2016 $'000**	30 June 2015 $'000
Ordinary shares - fully paid	**1,904,676**	1,904,676	**1,905**	1,905
	1,904,676	1,904,676	**1,905**	1,905

(a) Ordinary shares

At 30 June 2016 there were 1,904,676 ordinary shares called to $1.00.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the redeemable preference shares, which are classified as liabilities (refer to note 18).

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

24 OTHER RESERVES AND RETAINED EARNINGS

(a) Reserves

	30 June 2016 $'000	30 June 2015 $'000
Asset revaluation reserve	**12,204**	11,826
Cash flow hedges	**(61,197)**	(27,773)
Foreign currency basis spread reserve	**7,154**	(1,517)
	(41,839)	(17,464)

24 OTHER RESERVES AND RETAINED EARNINGS (CONTINUED)

(a) Reserves (continued)

	Notes	**30 June 2016 $'000**	30 June 2015 $'000
Movements:			
Asset Revaluation Reserve			
Balance 1 July		**11,826**	11,749
Reclassification from operating to investment asset (net of tax)		**378**	77
Balance 30 June		**12,204**	11,826
Hedging reserve - cash flow hedges			
Balance 1 July		**(27,773)**	(17,155)
Revaluation (net of tax)	21	**(33,424)**	(10,618)
Balance 30 June		**(61,197)**	(27,773)
Foreign currency basis spread reserve			
Opening balance		**(1,517)**	-
Revaluation (net of tax)		**8,671**	(1,517)
Balance 30 June		**7,154**	(1,517)

(b) Retained earnings
Movements in retained earnings were as follows:

	30 June 2016 $'000	30 June 2015 $'000
Balance 1 July	**80,514**	74,028
Net profit for the period	**30,990**	36,486
Dividends	**(45,000)**	(30,000)
Balance 30 June	**66,504**	80,514

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve records gains or losses recognised upon transfer of properties from operating to investment assets.

(ii) Foreign currency basis spread reserve

The foreign currency basis spread reserve represents the fair value movement of the currency basis spread component of AAL's cross currency interest rate swaps which has been excluded from the hedging relationship.

The currency basis spread component of the swaps is deferred in equity as a cost of hedging and released to the income statement over the life of the instruments.

24 OTHER RESERVES AND RETAINED EARNINGS (CONTINUED)

(c) Nature and purpose of reserves (continued)

(iii) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(k). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

25 DIVIDENDS

(a) Ordinary shares

	Consolidated and Parent entity	
	30 June 2016 $'000	30 June 2015 $'000
Dividends for the year ended 30 June 2016 of 23.69 cents (2015: 15.76 cents) per fully paid in two 30 June 2016 (13.13 cents) and 31 December 2015 (10.56 cents).		
Final ordinary dividend	**25,000**	15,000
Interim ordinary dividend	**20,000**	15,000
	45,000	30,000

(b) Redeemable preference shares

Dividends on these shares totalling $21,803,557 (2015: $21,467,760) paid quarterly have been charged to the income statement as interest and finance charges because the shares are classified as liabilities. (refer note 1(t)).

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2017.

	Consolidated and Parent entity	
	30 June 2016 $'000	30 June 2015 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 : 30%)	**-**	633

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

26 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of the Group during the financial year:

(i) Chairman - non-executive

R Chapman

(ii) Executive directors

M D Young, Managing Director

(iii) Non executive directors

A Mulgrew

J Hogan

J L Tolhurst

J F Ward

A D Howe (Resigned 4 February 2016)

C J McArthur

J Yuile (Appointed 1 June 2016)

A S T Wu alternate for McArthur

K I Robbins alternate for Ward, Tolhurst & Howe

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

M Andrews	EGM Business Development (to 30 September 2015)	AAML Ltd
S Doyle	EGM People & Culture	AAML Ltd
B Cox	EGM Corporate Affairs and In House Counsel (Company Secretary)	AAML Ltd
K May	EGM Property	AAML Ltd
S Flowers	Chief Financial Officer (joint Company Secretary)	AAML Ltd
D Blackwell	EGM Customer Service	AAML Ltd
V Scanlon	EGM Planning & Infrastructure	AAML Ltd
E Boulby	EGM Airport Operations (from 1 October 2015)	AAML Ltd

EGM (Executive General Manager)

AAML Ltd (Adelaide Airport Management Limited)

26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Key management personnel compensation

	30 June 2016 $	30 June 2015 $
Employee benefits	**6,188,575**	5,612,857
Superannuation	**260,292**	247,936
	6,448,867	5,860,793

Key management personnel compensation excludes insurance premiums paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the directors' report. The terms of the insurance policy prohibit disclosure of the premiums paid.

27 REMUNERATION OF AUDITORS

(a) PricewaterhouseCoopers Australia

	30 June 2016 $	30 June 2015 $
Audit and other assurance services		
Audit and review of financial statements	**131,500**	129,800
Audit of interest rate subsidy claim	**1,450**	1,400
Other assurance services		
Outgoings audit	**19,000**	18,500
Other services	**21,232**	12,600
	40,232	31,100
Total remuneration for audit and other assurance services	**173,182**	162,300

28 CONTINGENCIES

(a) Contingent liabilities

As required by the Group's agreement with the Commonwealth of Australia, certain property developments on the airport site may be undertaken at some future date requiring tenants to relocate from existing properties.

In the event that these relocations are required, certain reimbursements may be claimed by the tenants from the consolidated entity for improvements made by the tenants to existing properties.

At this stage, the consolidated entity has no obligations to make any such reimbursements to tenants and no provision has been recorded in the financial statements to reflect these contingent obligations.

29 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	30 June 2016 $'000	30 June 2015 $'000
Property, plant and equipment		
Within one year	**4,217**	7,022
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	4,217	**7,022**

(b) Lease commitments: group as lessee

Commitments representing non-cancellable operating leases, in respect of leases contracted for but not recognised as liabilities at 30 June 2016 were nil (30 June 2015: nil)

30 EMPLOYEE ENTITLEMENTS

	30 June 2016 $'000	30 June 2015 $'000
Employee entitlement liabilities		
Provision for employee entitlements - current	**3,155**	2,878
Provision for employee entitlements - non-current	**673**	1,283
	3,828	**4,161**

	Consolidated	
	30 June 2016	30 June 2015
Employee numbers		
Average number of employees during the financial year	**143**	132

As explained in note 1(v) the amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present values.

30 EMPLOYEE ENTITLEMENTS (CONTINUED)

	Consolidated	
	30 June 2016 %	30 June 2015 %
Weighted average rates of increase in annual employee entitlements to settlement of liabilities	**2.60**	2.80
Weighted average discount rates	**2.00**	3.01

31 RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the Group is Adelaide Airport Ltd which is also the ultimate parent entity and ultimate controlling party.

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 26.

	30 June 2016 $	30 June 2015 $
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	**1,338,273**	1,192,182

32 SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note1(b):

Name of entity	Country of incorporation	Equity holding	
		2016 %	2015 %
Adelaide Airport Management Limited *	Australia	**100**	100
Parafield Airport Limited *	Australia	**100**	100
New Terminal Financing Company Pty Ltd	Australia	**100**	100
New Terminal Construction Company Pty Ltd*	Australia	**100**	100

32 SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (CONTINUED)

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 33.

Adelaide Airport Limited is the main operating entity and holds the lease rights to manage and operate Adelaide Airport. The lease and management rights form Adelaide Airport Limited's main asset and consist of a 99 year lease (50 + 49 option) acquired in 1998 from the Federal Government. Adelaide Airport Management Limited is responsible for the employment of staff at the group. Parafield Airport Limited holds the lease rights to operate Parafield Airport, South Australia's premier general aviation airport. New Terminal Financing Co. Pty Ltd is the financing vehicle for the group, whilst New Terminal Construction Co. Pty Ltd was the company responsible for the construction of Terminal 1.

The class of shares issued are ordinary shares for all entities and carrying values remain unchanged subsequent to issue.

33 DEED OF CROSS GUARANTEE

Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Adelaide Airport Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2016 of the closed group consisting of Adelaide Airport Limited, Parafield Airport Limited, Adelaide Airport Management Limited and New Terminal Construction Company Pty Ltd.

	30 June 2016 $'000	30 June 2015 $'000
Consolidated income statement		
Revenue from continuing operations	**186,982**	178,727
Other income	**24,355**	19,465
Increments in the fair value of investment properties	**16,745**	27,345
Employee benefits expense	**(17,023)**	(14,902)
Depreciation & Amortisation expense	**(21,521)**	(19,584)
Services & Utilities	**(40,978)**	(40,511)
Consultants & Advisors	**(4,157)**	(4,678)
General administration	**(7,977)**	(6,522)
Leasing & Maintenance	**(5,437)**	(5,164)
Borrowing costs expense	**(85,022)**	(83,582)
Impairment of property, plant and equipment	**(16)**	(8)
Profit/(Loss) on disposal of property, plant and equipment	**22**	(22)
Profit before income tax	**45,973**	50,564
Income tax expense	**(13,447)**	(15,246)

33 DEED OF CROSS GUARANTEE (CONTINUED)

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings (continued)

	30 June 2016 $'000	30 June 2015 $'000
Profit for the period	**32,526**	35,318

	30 June 2016 $'000	30 June 2015 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**58,190**	52,872
Profit for the year	**32,526**	35,318
Dividends provided for or paid	**(45,000)**	(30,000)
Retained earnings at the end of the financial year	**45,716**	58,190

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2016 of the closed group consisting of Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

	30 June 2016 $'000	30 June 2015 $'000
Current assets		
Cash and cash equivalents	**51,741**	68,255
Trade and other receivables	**16,150**	17,302
Other	**7,280**	3,718
Total current assets	**75,171**	89,275
Non-current assets		
Property, plant and equipment	**378,544**	367,564
Investment properties	**351,700**	325,330
Intangible assets	**184,764**	185,210
Prepaid operating lease	**121,711**	124,479
Other Receivables	**1,464**	-
Total non-current assets	**1,038,183**	1,002,583
Total assets	**1,113,354**	1,091,858

33 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated balance sheet (continued)

	30 June 2016 $'000	30 June 2015 $'000
Current liabilities		
Trade and other payables	**15,903**	17,187
Current tax liabilities	**4,632**	7,180
Provision	**3,155**	2,878
Other	**1,101**	453
Total current liabilities	**24,791**	27,698
Non-current liabilities		
Borrowings	**903,555**	875,520
Deferred tax liabilities	**118,995**	112,788
Provisions	**2,847**	1,834
Other	**3,341**	2,096
Total non-current liabilities	**1,028,738**	992,238
Total liabilities	**1,053,529**	1,019,936
Net assets	**59,825**	71,922
Equity		
Contributed equity	**1,905**	1,905
Reserves	**12,204**	11,827
Retained earnings	**45,716**	58,190
Total equity	**59,825**	71,922

34 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	30 June 2016 $'000	30 June 2015 $'000
Profit for the period	**30,990**	36,486
Depreciation and amortisation of property plant and equipment	**19,215**	17,645
Amortisation of intangible assets	**792**	436
Amortisation of borrowing costs	**1,688**	1,614
Amortisation of prepaid operating lease	**1,514**	1,510
RPS redemption premium	**168**	219
Loss/(gain) on fair value hedges	**2,954**	(1,520)
Net (gain)/loss on sale of assets	**(22)**	35
Fair value adjustment to investment property	**(16,745)**	(27,345)
Impairment of assets	**16**	8
Capitalised borrowing costs	**-**	(1,931)
Movements in current and deferred tax assets and liabilities	**12,664**	15,841
Income tax paid	**(10,300)**	(633)
(Increase) in trade debtors and accrued income	**(2,459)**	(707)
Decrease/(increase) in prepayments	**270**	(147)
(Decrease)/increase in trade creditors	**(5,344)**	944
Net cash inflow (outflow) from operating activities	**35,401**	42,455

35 NON-CASH INVESTING AND FINANCING ACTIVITIES

	30 June 2016 $'000	30 June 2015 $'000
Acquisition of plant and equipment by means of finance leases	-	-
	-	-

36 PARENT ENTITY FINANCIAL INFORMATION

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2016 $'000	30 June 2015 $'000
Balance sheet		
Current assets	**75,089**	89,252
Non-current assets	**982,151**	955,964
Total assets	**1,057,240**	1,045,216
Current liabilities	**21,481**	25,447
Non-current liabilities	**1,012,797**	981,985
Total liabilities	**1,034,278**	**1,007,432**
Net assets	**22,962**	37,784
Shareholders' equity		
Ordinary shares	**1,905**	1,905
Reserves	**12,204**	11,826
Retained earnings	**8,853**	24,053
	22,962	37,784
Profit or loss for the period	**29,799**	30,099
Total comprehensive income	**29,799**	30,099

36 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

Summary financial information (continued)

New Terminal Construction Company Pty. Limited ("NTCC") has issued $188.6 million Redeemable Preference Shares ("RPS") with a face value of $99 each to the shareholders of Adelaide Airport Limited which are redeemable for $100 (including a $1 premium) 10 years after their issue being the agreed date of 18 June 2024. Each RPS is stapled to an ordinary share in Adelaide Airport Limited.

The Airport Loan Notes ("ALN"), previously issued to the shareholders of Adelaide Airport Limited ("AAL"), were unstapled and sold by the holders to NTCC. Interest payable on the ALN's, by AAL to NTCC, is subject to there being distributable cash calculated in accordance with the terms of the Loan Note Deed Poll.

The holder of a RPS is entitled to a non cumulative dividend. Payment of a dividend is subject to there being funds legally available from a distribution under the ALN's from AAL to NTCC.

(a) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2016, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $4.0 million (2015: $7.0 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

(b) Guarantees entered into by the parent entity

Each of the Adelaide Airport Group Companies (the Security Providers) has executed a deed of cross guarantee and indemnity dated 8 December 2000 in favour of a Security Trustee on behalf of all Financiers (the "AAL Group Guarantee"). Pursuant to the AAL Group Guarantee, each Security Provider (as Guarantor) guarantees to each Financier:

a) the payment of all money which the Security Providers at any time are actually or contingently liable to pay to or for the account of a Financier under its Financing Documents (the "Guaranteed Money"); and

b) the performance by each Security Provider of its obligation to pay the Guaranteed Money to the Financiers and other non-monetary obligations to the Financiers under the Financing Documents.

No amendments will be made to the AAL Group Guarantee.

In addition, and as disclosed in note 33, Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

No liability was recognized by the parent entity in relation to these two guarantees, as the fair value of both guarantees is considered immaterial.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 12 to 63 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become liable, by virtue of the deed of cross guarantee described in note 33.

This declaration is made in accordance with a resolution of Directors.

MMYoung

Mark Dennis Young

Director James Leonard Tolhurst

Director

Adelaide

21 September 2016

Independent auditor's report to the members of Adelaide Airport Limited

Report on the financial report

We have audited the accompanying financial report of Adelaide Airport Limited (the company), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Adelaide Airport Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the financial report of Adelaide Airport Limited is in accordance with the *Corporations Act 2001*, including:

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

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

Andrew Forman
Partner

Adelaide
21 September 2016

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