annual report

30 June 2005

Adelaide Airport

corporate information

Chairman
David Munt

Managing Director
Phil Baker

Directors
Perry Lucas
John McDonald
John Rickus
Graham Scott
James Tolhurst
John Ward

Major Bankers
Australia and New Zealand
Banking Group Ltd

Solicitors
Thomson Playford

Corporate Advisors
Ernst & Young

Auditors
PricewaterhouseCoopers

Registered Office
1 James Schofield Drive
Adelaide Airport
South Australia 5950
Phone: +61 8 8308 9211
Fax: +61 8 8308 9311
Email: airport@aal.com.au
Website: www.aal.com.au

The Company

Adelaide Airport Limited (AAL) purchased the operating lease for Adelaide and Parafield Airports in May 1998, to operate the airports for the next 50 years with an option for a further 49 years. Adelaide Airport is the sixth largest international and fourth largest domestic airport in Australia. It is the aviation gateway to South Australia and handled over 5.4 million passengers in the 2004/2005 financial year. Parafield Airport is South Australia's premier general aviation airport and is a major international training airport.

Shareholders	
UniSuper Ltd	37.4%
Motor Traders Association of Australia Superannuation Fund Pty Ltd	27.5%
Local Government Superannuation Board	16.1%
Others	19.0%

HOLDING COMPANY - ADELAIDE AIRPORT LIMITED

Subsidiaries

- 100% Parafield Airport Limited
- 100% Adelaide Airport Management Limited
- 100% New Terminal Financing Company Pty Ltd
- 100% New Terminal Construction Company Pty Ltd

our vision

Adelaide Airport will be a successful, modern, vibrant Centre and Gateway, promoting the economic benefits and cultural experience of South Australia.

Customer service, critical to our success, will be provided at the highest levels to our community and stakeholders.

Our people will be continuously developed to provide them with the requisite skills and experience to perform their duties efficiently.

The environment, safety and security remain paramount.

our mission

AAL develops and operates Adelaide and Parafield Airports as a business enterprise.

We deliver safe and efficient facilities for passengers, aircraft, freight and property services for tenants and retailers, alongside general commercial developments.

our values

We will:

conduct ourselves with integrity in a responsible manner.

be efficient and practical.

remain open and friendly.

be responsive and respectful.

consistently behaving in a positive manner.

our edge

We will thrive:

by making timely and effective decisions.

by developing innovative solutions.

through clear and consistent communication with all stakeholders.

contents

30 June 2005 annual report

chairman's report

The successes of the past 12 months owe much to the foresight, commitment and enthusiasm of the AAL Board, and AAL management and staff.

The new $260 million terminal - which accommodates international, domestic and regional passengers in one facility for the first time in Australia - will be complete in October 2005.

Accommodating up to 27 aircraft at one time, and able to handle up to 3,000 passengers an hour, the new terminal provides a worthy gateway to South Australia, with a contemporary state-of-the-art structure of which all South Australians can be proud.

To the many South Australian people and companies who have worked so diligently and professionally to deliver this major privately-funded infrastructure project on time and within budget, I extend the appreciation of the AAL Board.

The terminal has been long-awaited and is much-needed, particularly given the record passenger numbers moving through Adelaide Airport in the past year. We look forward to the benefits of the new facility flowing to AAL shareholders and the broader South Australian community.

Development activity around Adelaide Airport will not cease with the completion of the new terminal. Significant retail and commercial projects on land around the airport will continue to generate returns for shareholders, and economic and employment benefits for the State. Currently, more than 5,000 people are employed either directly or indirectly by organisations linked to the airport, and we expect this to grow.

In realising the commercial potential of Adelaide and Parafield Airports, the Board and management team are conscious of their triple bottom line responsibilities, and their responsibilities to the Commonwealth. After significant community consultation, the Master Plans and Environmental Strategies for both airports were signed off by the Federal Government during the year under review.

From an environmental perspective, we continue to manage our assets in a manner that benefits the broader community. Our social contributions to the communities in which we operate are numerous. They include the provision of land to the City of West Torrens at no cost, for linear parks on the eastern and southern boundaries of Adelaide Airport; provision of additional land to Council at no cost to assist it in meeting its storm water drain widening obligations; as well as numerous contributions in cash and in kind to youth, arts, sporting and community organisations.

AAL looks forward to continuing its contribution to the South Australian economy through on-going investment in its assets, and the facilitation of investment and jobs by others supporting our endeavours, with significant benefits flowing to the community as a result.

David Munt
Chairman

year in brief

Financial Results

- Revenue - $71.979 million (last year $63.168 million).
- Earnings before interest, tax, deprecation and amortisation - $45.835 million (last year $39.746 million).
- Net loss after tax of $3.455 million (last year net profit - $3.480 million).
- Dividends on redeemable preference shares - $17.311 million (last year Airport loan note interest - $4.500 million).
- Land Transport Notes issued under infrastructure tax offset arrangements.
- Credit rating - outlook upgraded.
- Planning for introduction of Australian equivalents to International Financial Reporting Standards is at an advanced stage.

Statutory Compliance

- Master Plans and Environmental Strategies approved.
- Australian Transport Security Act 2004 and regulations implemented.
- IKEA Major Development Plan (MDP) approved.

Airport Operations

- More than five million passengers for the first time.
- New domestic airline Jetstar commenced operations in February 2005.
- New international route commenced December 2004 to Auckland.
- Positive compliance audits

Property Development

- Construction of AAL owned building to be AQIS regional headquarters.
- Expansion commenced of the retail centre Harbour Town Brand Direct Outlet Shopping.
- Infrastructure commenced for the Burbridge Business Park.
- Construction of Aged Care Centre commenced at West Beach.
- Construction underway of an IKEA store at the entrance to Adelaide Airport.
- Approval and commencement of helicopter operations relocation project.
- Installation of traffic lights at the Kings Road entrance to the Parafield commercial estate.

Other notable events

- The new terminal construction continues on time and within budget and will open in October 2005.
- 50th Anniversary on 16 February 2005 of the first operations from Adelaide Airport.
- Restoration work carried out on the Vickers Vimy.

managing director's report

The past financial year was marked by a number of milestones, including the 50th anniversary of the first commercial scheduled service in February, the highest ever annual passenger throughput in the airport's history, new international and domestic destinations served by non-stop flights, and a significant number of infrastructure works begun or progressed, including the new terminal.

Continued relative stability in terms of regional security, coupled with a strong national economy, underpinned healthy growth in the aviation industry as a whole. With the local economy ahead of the trend on many indicators, our performance was equally impressive.

Domestic traffic grew by 8.1% in the year to its highest ever volume and coupled with regional growth of almost 10%, we exceeded five million passengers for the first time in our history, without including international traffic. The latter grew by an impressive 21.6% to bring the overall total to 5,412,945 passengers over the year. This represents an overall growth rate of 9% over the previous year, and compound annual growth rate of 5.7% over the past five years, despite all the well publicised international events affecting the industry - war, pandemics, terrorism, airline collapses, etc.

Last December Qantas began operating three times weekly non-stop to Auckland. Its Darwin/Singapore service was also upgraded to A330 aircraft during the year. Jetstar began operating services from Adelaide with daily services to Hobart, Avalon and the Gold Coast (replacing Qantas on this route) from February 2005, and added four times weekly services to Cairns in June. Virgin Blue also began services to Hobart and Alice Springs, but withdrew from the latter destination earlier this year.

The record throughput, new services and anticipated continued growth all underpin the need for the new facilities, which will be available when the new terminal opens in mid-October 2005.

In the freight market, whilst the overall volume of exports by air produced in South Australia was down slightly, due predominantly to the valuation of the Australian dollar, the proportion flown directly from Adelaide Airport grew by almost 5%, mainly through the now twice weekly B747 freighter services operated by Singapore Airlines.

In addition to the terminal, as foreshadowed, the year was one of transformation in respect to physical infrastructure, building, and the skyline, with several projects progressing. These include an extension to the Harbour Town complex, also due to open in October 2005; the IKEA superstore at the airport entrance; the AQIS regional headquarters at the opposite side of the main entrance; car hire back up facilities, an engine test cell for Tenix; Cheap as Chips office/warehouse complex in the Burbridge Business Park; and Southern Cross Care nursing home in West Beach.

At Parafield, the world-renowned flight training college is under new ownership and student numbers have been maintained at a relatively high level, driving a significant increase in movements over the previous year. A number of additional units have opened in the commercial estate. These include a pet store, electrical goods retailer, blinds and awnings supplier and vehicle inspection centre, with one or two existing tenants relocating to larger premises.

A significant amount of work has been done on roads, roundabouts, landscaping, drainage and other utilities to provide for the demand changes that accompany these developments.

All development undertaken is actioned in full compliance with the *Airports Act 1996*. During the financial year our Master Plans and environment strategies for both airports were approved by the Federal Minister after full review, required every five years, following exhaustive and widespread consultation over a twelve month period.

Looking ahead, the next twelve months will see much of the current development activity complete, whilst a number of new projects will move to construction stage, including further occupation in the Burbridge Business Park, relocation of the social club,(now partially demolished); redevelopment of our soon to be disused terminal buildings, and other ancillary development, possibly including an hotel.

The future continues to promise more challenging and exciting times for the AAL workforce, all of whom attended customer care training courses during the year. This ensures the high quality of physical amenity provided in the new terminal will be complemented by top quality personal attention. This will be further enhanced by a new volunteer group who have been engaged to help guide passengers, friends and relatives through the new facility each day, providing a warm welcome to Adelaide and South Australia.

Together with the wider community AAL looks forward to the next year and beyond in a spirit of anticipation.

Phil Baker
Managing Director

50 years of adelaide airport

Circa 1953

On **Wednesday, February 16 2005**, Adelaide Airport celebrated 50 years since the first commercial flight landed on its tarmac.

On that day in 1955, the first incoming passengers arrived in their Australian National Airways DC-4 aircraft at 6.00 am, having spent six and a half hours flying from Perth to Adelaide.

At that time, Adelaide Airport did not have a terminal and the passengers were processed in a besser-block lean-to adjacent to the airline's hangar.

Minutes later, another flight from Perth arrived, operated by Trans Australia Airlines (now Qantas).

Today, the same flight takes around three hours, depending on prevailing winds, and more than five million passengers fly in and out of Adelaide each year.

Historical records show the West Beach site was chosen due to demand for an airport to be located closer to the centre of Adelaide.

Growth in the number of services and passengers in the 1940s resulted in the government of the day deciding that commercial flights should be moved to a larger airfield than Parafield which had served Adelaide's aviation needs from 1927.

In July 1944 the Premier, Sir Thomas Playford, approached the Federal Minister for Civil Aviation and investigations began, culminating in Cabinet approval in January 1946 to fund a 3.2 million pound (Sterling) airport.

There was much debate about the most suitable site, with the parklands a possibility, including the Victoria Park Racecourse, as well as another seaplane servicing site at Outer Harbour and the final site at West Beach.

As the West Beach site was largely swamp and sand dunes surrounded by market gardens and post-war Trust homes, it was considered to be 'the only remaining large area of land within reasonable distance of the city' suitable for an airport. The location was also supported by the then Mayors of Glenelg and West Torrens.

Earthmoving works started in 1948 and in April 1949, 270,000 litres of bitumen were used to seal the runway.

By the end of 1949, 1.5 million tons of sand had been moved and the runway was the only sign that an airport was on its way.

While the first commercial flight landed on that runway in 1955, it took another two years for the passenger terminal to be built.

Since then, the airport has been continually upgraded to accommodate increased passenger and aircraft movements. Milestones include the introduction of international services in 1982, transfer of management to the Federal Airports Corporation in 1988, and the lease of airport land and its assets for 99 years to the privately owned Adelaide Airport Limited in 1998.

Today

AAL is now well on the way to achieving its objectives of developing airport land not required for aviation activities, and is delivering a new $260 million state-of-the-art terminal to service the five million-plus international, domestic and regional passengers travelling to and from Adelaide each year. It is also contributing more than $770 million to the state economy each year.

Over the past year the airport has witnessed the introduction of international airline Air Paradise, the recent arrival of Jetstar, Qantas' reintroduction of a direct service to Auckland, and extra Virgin Blue services to Hobart, Brisbane and Canberra. Singapore Airlines also has introduced a second weekly airfreight service to expand freight activity.

The new $A260 million terminal, which opens in October 2005, represents a significant investment in the tourism and aviation sectors in South Australia, one that will add weight to our campaign to encourage new and existing airlines to expand in Adelaide.

Oct 1982

operations

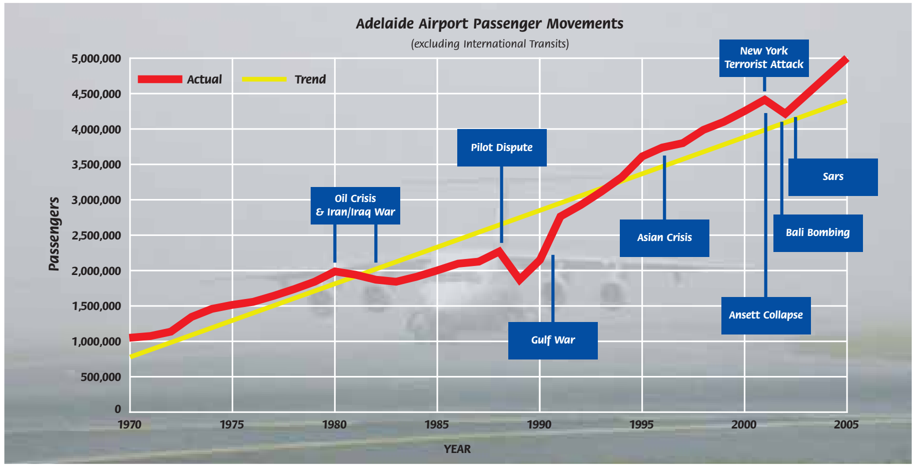
Aeronautical traffic performance

	Financial Year 2000/01	Financial Year 2001/02	Financial Year 2002/03	Financial Year 2003/04	Financial Year 2004/05	Change this Year %	Compound Annual Growth Rate
PASSENGERS							
Domestic	3,883,926	3,646,679	3,874,801	4,337,527	4,683,547	8.1%	6.3%
International including transits	314,976	283,748	256,422	289,006	351,549	21.6%	4.7%
Regional	336,396	251,746	303,088	343,788	377,849	9.9%	0.7%
Total Passengers	**4,535,298**	**4,182,173**	**4,434,311**	**4,966,321**	**5,412,945**	**9.0%**	**5.7%**
AIRCRAFT MOVEMENTS							
Regular Public Transport	76,450	67,367	69,012	65,075	70,932	9.0%	-0.9%
General Aviation	24,850	28,838	27,924	28,612	28,173	-1.5%	-5.2%
Total Aircraft Movements	**101,300**	**96,205**	**96,936**	**93,687**	**99,105**	**5.8%**	**-2.2%**
LANDED TONNES							
Total Landed Tonnes	**1,789,851**	**1,642,507**	**1,623,480**	**1,702,939**	**1,885,001**	**10.7%**	**2.4%**

2005 saw record passenger numbers for Adelaide Airport with total passenger growth up 9% on the previous year.

A number of new benchmarks were recorded during the year;

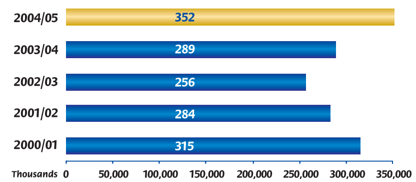
- highest growth year on year for international traffic;
- five million passengers exceeded; and
- the busiest month recorded in previous years, was exceeded in seven months of this year.



On the international front Qantas began services to Auckland three times a week in December 2004, and seat capacity was increased by the introduction of A330s on the Darwin/Singapore route. Total international passengers grew by 21.6% with most airlines qualifying for AAL's growth incentive discounts for passenger growth in excess of 5% for the year.

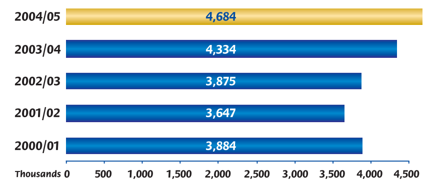
Next year promises to continue the strong growth of international services at Adelaide Airport with the introduction of a fifth daily service by Singapore Airlines in October 2005. Air New Zealand will return to Adelaide Airport in March 2006, with three daily services to Auckland in daylight hours each week. This service will also provide connections to North America.

International Passengers



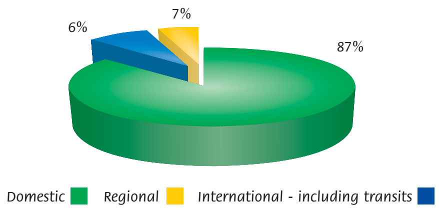
In the domestic market Jetstar commenced operation in February 2005 with three daily services to Hobart, Avalon and the Gold Coast and the later addition of Cairns. Virgin Blue continued to grow with the addition of services to the Gold Coast and Hobart. Total domestic growth was 8.1% for the year.

Domestic Passengers



A buoyant South Australian economy is further reflected in strong growth of 9.9% in regional services now fully recovered from the demise of Kendell Airlines, and despite Great Western Airlines entering formal administration during the year.

Passenger by type



Aircraft movements and landed tonnes also showed strong growth from the addition of new international and domestic routes and the addition of a second weekly freighter service by Singapore Airlines.

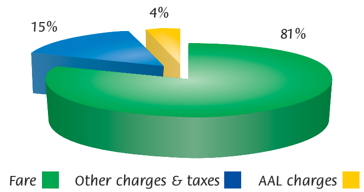
Pricing

In a year where public debate over the adequacy of Australia's infrastructure has addressed a spectrum of sectors, our year has been dominated by major infrastructure projects to prepare Adelaide Airport for future growth.

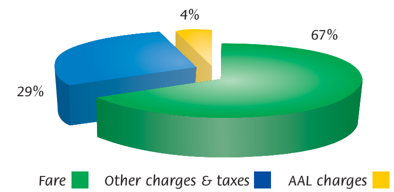
This has taken place with the cooperation of our airline customers and within a positive framework of light-handed regulation. This period is characterised by an improved rapport between all parties, negotiated price paths and service level agreements, continued massive growth in passenger traffic, with the resultant benefits for both airlines and the airport.

There does however remain a level of media confusion over what is and what isn't an airport charge. In some cases charges that are not related to the airport fee are presented as "airport charges". Included in this are such charges such as the noise levy tax, mandated security costs, fire and rescue and air navigation charges. These charges are Government imposed costs on the industry that should not be branded as an airport charge.

Adelaide to Auckland Return



Adelaide to Sydney Return



AAL charges include the Passenger Facilitation Charge for the new terminal.
Source: www.Qantas.com.au
Super Saver fares, Depart 18 October 2005, return 26 October 2005.

Security

The year cannot be reviewed without reference to aviation security. It remains one of our key focus points. In addition to our corporate duty of care, the public expects us to meet the security standards established by the Commonwealth Government. Indeed, our licence to operate the airport is conditional on those standards being achieved.

AAL works on the principle that if we do not have a safe business we do not have a business at all. Meeting standards is therefore something that we not only have to do, but that we want to do.

new terminal project

When AAL purchased the lease to the airport in 1998 the airport infrastructure was in need of major upgrading and improvement. AAL understood its obligation to build a multi-user integrated terminal. Following some early set backs in the process, 2004/05 has seen the rapid development of this new facility to equip the airport and South Australia well into the 21st century.

FAST FACTS

Project Value	$260 million
Description	The new terminal meets the needs of international, domestic, and regional travellers across all airlines servicing Adelaide through flexible passenger facilitation processes.
Location	Immediately adjacent to existing Adelaide International Terminal.
Features	State-of-the-art passenger facilities and security systems, retail centre and high amenity public and airline lounges.
Capacity	• In excess of 3000 passengers per busy hour capacity • Up to 27 aircraft (A380 capable) simultaneously • High amenity public and airline lounges • 14 aerobridges directly linking aircraft to the terminal building • 42 common use check-in desks • Automated baggage carousels • Under-cover drop-offs and expanded taxi/bus ranks • Contemporary design to provide an exciting and welcoming gateway to South Australia
Dimensions	• Length: Approximately 750 m (roughly the length of King William Street from North Terrace to Victoria Square) • Width: Approximately 110 m (at widest point) • Height: Two storeys with a Mezzanine level • Floor area: Equivalent to more than three Adelaide Ovals
Retail precinct	Spanning 3,400 square metres, the retail area will allow travellers to start and end their holiday experience in SA. 23 retail tenancies spanning fashion, gifts, souvenirs, confectionery, newsagencies, cosmetic/skin care, currency exchange, ATMs and duty free outlets.
Investment/ ownership	The new $260 million terminal will be owned and operated by the privately owned AAL, whose shareholders include a number of Australian superannuation funds.
Economic impact	It is expected the new terminal will benefit the State's commercial and tourism sectors by assisting to make Adelaide and South Australia even more attractive to visit for pleasure and for business.
Employment	820 new jobs during the construction phase, and a 10% increase in employment opportunities within the Airport on completion.
Project timing	• November, 2003 Construction commenced • October 2005 Commercial operations commence

property development

AAL's significant on-going investment in Adelaide Airport will not only equip South Australia for future aviation growth, it will also provide a confidence-boosting gateway.

Over half a billion dollars in infrastructure and commercial works have begun, have been advanced or are nearing completion during this year. This is good news for all our stakeholders - it is a clear sign of our confidence in SA; and the expansion is almost totally privately funded, with minimal contribution from the State and Commonwealth governments.

Property developments on airport land are approved under a strict planning regime by the Federal Minister for Transport and must comply with the Master Plan approved by the Minister and reviewed each five years.

NEW DEVELOPMENTS

AQIS - South Australian Regional Office

AAL was the successful bidder following public registrations of interest in 2004, to construct and lease a new regional headquarters for the Australian Quarantine and Inspection Service (AQIS) fronting Sir Donald Bradman Drive at Export Park, Adelaide Airport. AAL's proposal was selected by the Department of Agriculture, Fisheries and Forestry.

The development comprises 2,298m² of office/administrative space and 110 car parks at a cost of just over $5 million. Construction began in December 2004 and is due to be completed by November 2005.

The bid team for the tender included AAL, Hansen & Yuncken Builders and Walter Brooke Architects.

Burbridge Business Park

In December 2004 a development agreement was executed between AAL, Australand Holdings Ltd and Commercial and Industrial Property Ltd as a joint venture to develop Burbridge Business Park. The proposed business park is on a 38 hectare parcel of Airport land fronting Tapleys Hill Road and Sir Donald Bradman Drive, adjacent to Lockleys.

The first development to be undertaken is a 16,000m² office/warehouse for "Cheap as Chips". Construction began in April 2005, and is due for completion by October 2005. AAL also began the necessary Stage 1 infrastructure and services adjacent to the Oil Storage Facility in April 2005. This comprises all roadway infrastructure, security fencing, water, power, sewerage and stormwater treatment. AAL will also construct traffic signals and an access point connecting to Sir Donald Bradman Drive, plus a secondary left-in left-out Boulevard entranceway to cater for significant development stages. The traffic access points were approved by the State Minister for Transport subsequent to a specialised airport access study which was jointly funded by Transport SA and Adelaide Airport Ltd. This study has been conducted in three stages by Murray F Young and Associates.

To complement the development of the Burbridge Business Park, negotiations have progressed throughout the year for the West Torrens Council to take out a site licence agreement, to develop a strip of buffer land up to 40 metres deep from Sir Donald Bradman Drive as a Linear Park. This will also allow for an external stormwater drain for floodwater mitigation benefit to the surrounding community.

property development continued

Harbour Town Expansion

Following the successful completion and opening of the Harbour Town Brand Direct Outlet Shopping on Sir Reginald Ansett Drive in the Tapleys Policy Area of Adelaide Airport (adjacent to West Beach) on 23 October 2003, Airport West Pty Ltd (a joint venture between ING Real Estate Development Pty Ltd and Lewis Land) committed to an expansion of the 12,500m^2 Centre to 20,000m^2. This will increase the number of retail outlets from approximately 65 to 95. Work began in April 2005 and is due for completion in October 2005.

Low Care Aged Facility - Southern Cross Care Inc.

Southern Cross Care Inc. began development of a 60-bed low care aged facility on airport land on Burbridge Road, West Beach in late 2004. The complex is due for completion by the end of 2005.

IKEA

AAL welcomed Federal Ministerial approval which paved the way for international home furnishing retailer IKEA to build its first South Australian store at Adelaide Airport.

The Federal Minister for Transport and Regional Services approved a Major Development Plan application for the $40 million IKEA concept store to be built on a seven hectare site just west of the airport's main entrance at Sir Donald Bradman Drive and Sir Richard Williams Ave.

The two-level complex is approximately 24,000 m^2 in area. There is provision for over 930 car parks and dedicated traffic access through a signalised junction from Sir Donald Bradman Drive. The store will be operated by IKEA's Australian franchisee Cebas Pty Ltd. It is expected to open in April 2006.

Emergency Services Helicopter

Australian Helicopters Pty Ltd has been awarded the State Government emergency services contract. The company's helicopter base is being developed immediately to the east of Harbour Town, on Sir Reginald Ansett Drive. AAL is developing associated hover ways and helicopter landing pads, and the new service is planned to begin by December 2005. Negotiations have begun to relocate other helicopter operations to the same locality after 2006, subsequent to an environmental review of the overall helicopter operations at Adelaide Airport by Air Services Australia.

our community

Our community contribution is diverse. With our airline partners we have delivered to the South Australian community excellent passenger growth over the seven years we have operated the airport; the positive domino effect on various economic sectors, including tourism, hospitality and land transport is significant.

We have continued to support a wide range of local community-based charities and sporting bodies for the development and education of youth, particularly in our immediate neighbourhood.

A sample of those we support includes, but is not limited to:

- The Smith Family
- Henley Beach Primary Special School
- Fulham Sea Scouts
- West Beach Junior Lifesaving Club
- Thebarton Aquatic Centre
- Western Warriors Football Club
- West Torrens Eagles Softball Club

In addition, AAL has sponsored:

- Many City of West Torrens Corporate/Business breakfasts
- The City of West Torrens Race Day; and
- A Councillor's walkathon

We have further developed our arts sponsorship, assisting a range of young talent to be noticed and so opening the opportunity for a successful professional career.

Our support for the tourism industry has continued with a number of new initiatives added to our existing long term commitments, such as principal sponsor of the South Australian Tourism Awards.

AAL has also provided local Council with extensive parcels of land at no cost on the eastern and southern boundaries of the Airport for the establishment of linear parks for community benefit.

AAL has also at no cost provided a 40 metre wide strip of land along Sir Donald Bradman Drive and Tapleys Hill Road to assist Council in meeting its stormwater drain widening obligations to the West Torrens Thebarton drainage program.

The strong bond developed with Adelaide University in the day-to-day management of our wildlife program continues as does the Adelaide TAFE commitment to our Quality of Service Surveys.

board of directors

From left to right our Directors are:

JAMES TOLHURST B.Comms, MBA, FCPA, FCIS,	Non-executive director, appointed 29 September 2004.	Member Audit & Compliance Committee
PERRY LUCAS B.Ec, MAICD	Non-executive director, appointed 30 June 2004.	Member Building Committee Member Remuneration Committee
GRAHAM SCOTT B.Ec (Hons)	Non-executive director, appointed 24 April 1998, Adelaide Airport Limited's first Chairman from 24 April 1998 until 30 June 2004.	Chairman Property Development Committee Member Building Committee Member Audit & Compliance Committee
PHIL BAKER FCILT, FAICD	Managing Director, appointed 24 April 1998	Member Building Committee
DAVID MUNT LL.B (Hons)	Non- executive director and Chairman, appointed 30 June 2004.	Chairman Building Committee Chairman Remuneration Committee Member Property Development Committee
JOHN McDONALD Dip Tech, FCA, FASA, CPA, FIAA	Non-executive director, appointed 29 July 1998.	Member Property Development Committee Member Building Committee
JOHN RICKUS FAICD	Non-executive director, appointed 1 September 1998.	Chairman Audit & Compliance Committee Member Property Development Committee Member Building Committee Member Remuneration Committee
JOHN WARD BSc, FAICD; FAIM; FAMI; FCIT,	Non-executive director, appointed 28 August 2002.	Member Property Development Committee Member Building Committee Member Remuneration Committee

executives

From left to right our Executive Team are:

Vince Scanlon	Manager Aviation and Infrastructure	Responsible for aviation safety, security and regulatory compliance, airport infrastructure and asset facility management, project management and engineering of both aviation and commercial developments.
Len Goff	Company Secretary	Responsible for corporate administration, accounting, statutory and regulatory financial reporting.
Mal Andrews	Manager Passenger and Terminal Operations	Manages terminal operations, working closely with our airport partners including airlines, border agencies and freight operators to facilitate our customers and visitors through our terminals and car parks.
Ken May	Manager Property Development	Responsible for the management and enhancement of the property portfolio including retail, leasing, property development and tenancy management.
Mark Young	Chief Financial Officer	Implements and manages procedures and policies to ensure the sound financial position and commercially prudent conduct of the business including effective reporting and information management systems and stakeholder communications.
Phil Baker	Managing Director	Manages corporate groups. Responsible for implementing group strategies and polices and a member of the Board.
Barry Phillis	New Terminal Project Director	Contracted by AAL for a period of 2-3 years to oversee the New Terminal development.
John McArdle	Manager Corporate Affairs	Manages, interprets and influences, where applicable, the community consultation, communication, regulatory and statutory responsibilities. Facilitates corporate risk policy and review.
Sue Doyle	Office Manager PA to MD	Provides administration and secretarial support to the Board of Directors and Managing Director with significant accountability for the development of staff, human resource policies and service levels to customers.

our people

We owe a significant amount of the success of our ambitious plans to our devoted and stable staff.

Early in the financial year three key changes and appointments were made to the board of AAL.

Prominent corporate lawyer David Munt was appointed Chairman, with corporate finance specialist Perry Lucas and Jim Tolhurst as Directors.

David brings high level corporate and legal expertise to the position, having focused the past 15 years on his responsibilities as Director, Chairman or Deputy Chairman for a number of public and privately owned companies.

David also is a partner and Chairman of Partners at law firm Thomson Playford, and has been an instructing solicitor and negotiator in complex corporate litigation and corporate commercial matters. His litigation experience includes representing parties in the State Bank Royal Commission and acting for parties in litigation involving the former Bond Group and Adsteam Group.

Perry has a strong finance background and is a senior portfolio manager with Colonial First State Investments Limited. He specialises in infrastructure investment and is also a director of Brisbane Airport Corporation Limited and a partner representative for the Victorian-based Hazelwood Power Partnership.

Jim also has a strong finance and administration background with over thirty years of experience in accounting and administration. He is Chairman of Gold Coast Airport Ltd, Queensland Airports Limited and Piggabeen Land Co Pty Ltd, a Director of Leichhardt Coal Pty Ltd, Blair Athol Coal Pty Ltd, Newco Finance Pty Ltd and is a Council Member of Central Queensland University.

Award

The Australian Airports Association held its annual convention in Alice Springs in November 2004 during which the Annual Aviation Awards for Excellence were presented by the Northern Territory Administrator, Mr Ted Egan AO.

Phil Baker, Managing Director of AAL was recognised for his efforts in instigating, through many years of patient perseverance, the $260 million new terminal for Adelaide Airport.

The Australian Airports Association is a non-profit organisation founded in 1982 that represents the interests of approximately 300 airports Australia-wide from the local country community landing strips to the major international gateway airports. The association also has over 70 national and international corporate members representing business activity directly associated with Australian aviation and the running of airports.

The Awards fall into four categories - Major, Regional and Rural Airport of the Year and the Aviation Personality of the Year. All categories are nominated by the membership industry peers and assessed by an independent panel led by Mr Bill Forrest AM, LLB (Hons), MBA (Harvard).

The Aviation Personality of the Year Award honours Phil's efforts, as Managing Director of AAL, in finalising complex negotiations with more than 50 different organisations, from agencies to government departments and financial institutions, to pave the way for construction of the new terminal.

He also has been recognised for his role in the development of the Harbour Town Brand Direct Outlet Shopping and for his leadership on industry issues and regional airports in South Australia.

Phil has worked in airlines and airports overseas, starting out in roles such as marshalling, ticket handling and driving a forklift, to become Australia's only airport chief to have worked on a range of specialised aircraft and airport handling equipment.

He has successfully steered AAL through some major aviation setbacks - terrorism, SARS and the collapse of Ansett - to double the airport's contribution to the gross state product from $385 million in 1998 to $770 million in 2003 (Hudson Howells/CDR Consulting report into Adelaide Airport's socio-economic impact, Dec 2003).

Customer Service

AAL has implemented a program in line with its vision - "customer service, critical to our success, will be provided at the highest possible levels to our community and stakeholders" and "Our people will be continuously developed to provide them with the requisite skills and experience to perform their duties efficiently and effectively."

Liaison with the principal of the Adelaide city campus of TAFE identified a Certificate 2 in tourism operations as the ideal set of competencies to achieve the skill level AAL was aiming for.

During the year under review, all staff from the Managing Director to the latest recruit have completed this study and have graduated with their Certificate 2 in tourism operations.

The course included such areas as - managing quality customer service; identifying customer needs and expectations; cultural awareness; dealing with conflict situations and managing workplace diversity.

Several staff have expressed interest in furthering their studies with the goal of achieving the advanced diploma in tourism. The end result, we believe, will be a service oriented and focused airport.

In addition to the customer service focused training, AAL has introduced its own service Ambassadors to provide a friendly and service-oriented meet and greet function. This service will be provided during the operating hours of the new terminal and offer a wide range of assistance including providing directions, transport information etc. Ambassadors will be easily recognisable in their burgundy jackets.

Recruitment of the volunteers was followed by a comprehensive training and induction program. John Schulze, a former customer services manager for Ansett Airlines, has been recruited to facilitate and manage the Ambassador program.

the future

Our good year reflects a wider success - for the tourism industry in particular - and the South Australian economy in general. There is no doubt that the airport and its developments are a barometer of the State's business health and when Adelaide Airport is busy, then the city and the State it serves are also doing well.

AAL's aim is to continue this success. South Australia's challenge - and it is a challenge for the business community and government alike - is to maintain the city's visibility in international and domestic markets.

Keeping Adelaide on tourists' 'must-see lists' will ensure South Australia receives its fair share of the extraordinary revenue that tourism generates.

We appreciate that marketing can be expensive, but in South Australia it delivers a good return from a business point of view. Promotion and marketing is certainly an investment, and not simply a cost.

To further this objective AAL contributes discounts provided to airlines for new routes towards promotion which features South Australia as a destination.

Master Planning

In August 2004 after almost a year of review consultation and amendment, the Adelaide and Parafield Airports Master Plans documents were lodged with the Minister for Transport for consideration.

The Minister's approval paves the way for the on-going orderly realisation of plans for the future development of both airports and the continuing sizeable contribution to the State's economic growth.

Significant effort was put into making the reviewed plan more user-friendly with artist impressions of planning precincts and notations to indicate minor and major planning procedures.

Additional consultative forums were also established to ensure that local government planners were receiving the same development messages as the elected and executive members.

In comparing the regulatory regime that AAL has to work to with the current state planning legislation, significant differences are found in the applicable legislation particularly in regards to public notification extent, financial limits and time periods. AAL is required (under the *Airports Act 1996*) to publicly notify airport Master Plans, major development plans and their variations far more extensively and onerously in comparison to the assessment of development applications and amending of policy under the *Development Act 1993* applying to state and local government.

It is clear that airport development public notification and consultation is more rigorous, complex and extensive under the *Airports Act 1996* compared to development under the *Development Act 1993.*

environment

As part of its triple bottom line responsibilities of financial performance, environmental improvement and community contribution, AAL continues to enhance its environmental management activities.

In the past year, AAL has further developed its environmental leadership role within the airport, gaining Commonwealth approval for its revised five-year airport environment strategies, further improving the environmental management system, and achieving in the areas of stormwater protection, waste minimisation, water conservation and feral animal control.

Revised Airport Environment Strategies

The revised Adelaide and Parafield Airport Environment Strategies (AES) were approved by the Federal Minister for Transport on 25 October 2004 following extensive review and consultation with stakeholders and the community. The AES detail the scope and success of our environmental management activities from 1999 to 2004 and outline our environmental management plans for the next five years and beyond.

The AES are the blueprints for responsible environmental management at Adelaide and Parafield. AAL's focus is one that extends beyond legislative compliance to continuous improvement in environmental performance. We aim to build upon past achievements based on the action program outlined in our AES.

New Terminal

Adelaide Airport's new terminal has been designed with the environment of paramount concern.

A comprehensive stormwater interception system has been installed for the new car park and aircraft parking areas to capture and treat any pollutants that could potentially harm the environment. These state-of-the-art interceptors will significantly minimise the risk of sediments and litter entering the local stormwater system. With a working capacity of 30,000 litres they are also capable of capturing a fuel or oil spill associated with a major aircraft incident.

Reclaimed water from the Glenelg wastewater treatment plant will be used for both landscape irrigation and toilet flushing in the new terminal development. In partnership with SA Water, and under approval by the Department of Health, AAL will manage the water distribution system - one that will save in excess of 20,000 kL of our State's precious potable water supply.

Other environmental design features include:

- a comprehensive waste management system,
- various energy-saving initiatives (e.g. escalators that turn off automatically when not in use),
- natural utilisation of light combined with intelligent lighting systems,
- use of natural ventilation via roof vents and installation of an economy cycle air conditioning system using 100% outside air to provide free cooling, and
- use of local native plants for landscaping to minimise water use.

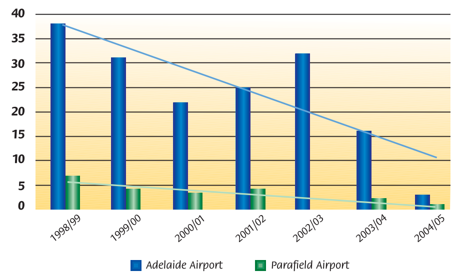
Other Developments

The development of airport land is a key business focus and AAL have successfully incorporated best environmental practice into the approvals process for all new facilities. All development proposals are reviewed against legislative requirements and the AES with a view to maximising any positive environmental impacts and minimising the risk of harm. Furthermore, environmental management plans are mandatory for all construction activities and audits are regularly conducted to ensure they are adhered to.

Environmental Incidents

AAL continues to be an industry leader in reducing the number of environmental incidents that occur on airport land. Records show the number of fuel and oil spills at both Adelaide and Parafield Airports declining further due to on-going raising of tenant awareness and enforcement of stringent reporting requirements.

Fuel and Oil spills



parafield airport

Operations

The world renowned Aviation College has changed ownership with Flight Training Adelaide Pty Ltd (FTA) taking over operations from BAe Systems Flight Training in June 2005. Its recent success in obtaining flying training contracts in Taiwan (China Airlines in particular) has been very encouraging, with student numbers up to around their capacity of 180 over recent times. FTA believes these numbers should hold for most of 2005. The resurgence in pilot training is due to the recovery of aviation in the region following the downturn associated with recent turbulent times and the introduction of low cost carriers in the Asia Pacific region.

Air South have opened an executive flying training and charter operation on the airport with Fox Air commencing helicopter charter and joy flights.

Enhanced security measures were introduced in March 2005 under the new *Aviation Transport Security Act 2004*.

Environment

The stormwater harvesting project has been progressing well (with nearly 1,000 megalitres of water now stored in the aquifer). The following additional initiatives are to take place in the near future;

- aquifer storage potable trials, involving transfer and recovery of stormwater into a network of wells for later extraction via separate wells; and
- water from the site being supplied to SA Water for use in irrigation at Mawson Lakes and City of Salisbury Council reserves.

Two ground water bores that were over fifty (50) years old and two hundred (200) metres deep have been backfilled and terminated as a requirement of the Biodiversity Act.

The Parafield Airport Master Plan and Airport Environmental Strategy were approved by the Federal Minister in November 2004.

Property Development

The Cross Keys Precinct at Parafield Airport was short listed for competitive tender for a 100,000 m^2 regional distribution centre in October 2005 with Parafield Airport Ltd and St Hilliers making a formal submission, which also entailed the preparation of a major development plan under the Airports Act 1996. The construction of the Mawson connector traversing the Cross Keys Precinct has also been programmed by the State Government for completion by June 2007. It will connect Main North Road to Salisbury Highway.

While the tender for the regional distribution centre complex was unsuccessful, the groundwork for that project will assist in developing a similar facility for alternate users in the future.

Traffic lights were installed by Transport SA funded by Parafield Airport Ltd (PAL), Federal Government black spot funding and PAL tenants on the corner of Kings Road and Horrie Miller Avenue. This initiative greatly assisted safe access through the busy commercial estate adjacent to Main North Road.

The commercial estate continues to grow with additional bulky goods retailing in the form of the Rug & Mattress Warehouse and the Shoe Shed moving into larger premises within the estate. A pet supplies store, Petstock and electrical goods store, Truscotts also moved into the estate as well as a NRMA vehicle inspection centre.

financial performance

Financial Performance

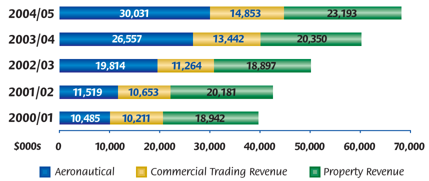
	Financial Year 2000/01 $'000	Financial Year 2001/02 $'000	Financial Year 2002/03 $'000	Financial Year 2003/04 $'000	Financial Year 2004/05 $'000	Change This Year %
INCOME						
Aeronautical	10,485	11,519	19,814	26,557	30,031	13.1%
Commercial Trading Revenue	10,211	10,653	11,264	13,442	14,853	10.5%
Property Revenue	18,942	20,181	18,897	20,350	23,193	14.0%
Other Revenue	595	639	521	99	390	293.9%
Government Grant Revenue	-	5	544	558	700	25.4%
Total Income	**40,233**	**42,997**	**51,040**	**61,006**	**69,167**	**13.4%**
OPERATING EXPENSES	17,508	20,955	20,738	23,422	26,138	11.6%
Operating Profit before interest, depreciation, amortisation and income tax	**22,725**	**22,042**	**30,302**	**37,584**	**43,029**	**14.5%**
DEPRECIATION & AMORTISATION	12,536	10,752	11,694	11,436	11,464	0.2%
BORROWING COST						
Interest on senior debt	18,404	17,724	17,000	18,186	17,710	-2.5%
Interest on Airport Notes/Dividends on RPS	4,424	-	-	4,500	17,310	284.7%
Net Profit/(Loss) Before Tax	**(12,693)**	**(6,434)**	**1,608**	**3,480**	**(3,455)**	**-199.3%**

Strong national and state economic performance has resulted in a 9% increase in passenger traffic through Adelaide Airport. Aeronautical prices increased only by CPI in accordance with five-year agreements with airline customers put in place in 2001. Passenger growth was therefore the prime driver for aeronautical income growth in this year.

Commercial trading revenues were also driven by the strong growth in passenger throughput at the AAL operated domestic common user terminal and the international terminal. Car park revenues, and to some extent, international terminal concessions have been adversely affected by the construction works for the new Adelaide Airport terminal as these have caused some congestion of existing facilities.

Property revenues have experienced strong growth for the year as AAL's property development plan starts to bear fruit. This year saw the first full year of rentals from the ING Harbour Town development and the start of site rental for the IKEA store development which is under construction. Continued growth in property revenues is expected as other developments under construction are completed in 2005/06 such as the new regional headquarters for the Australian Quarantine Inspection Service in Export Park, aged care facilities at West Beach and commencement of development of Burbridge Business Park.

Revenue by Type

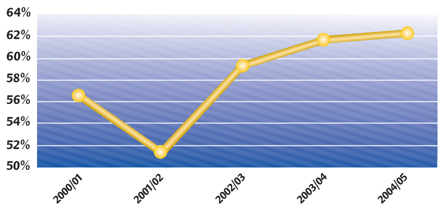


Operating expenses also grew this year. The growth reflects the increased operational activities arising from passenger growth and related aircraft movements growth as well as expansion of AAL's commercial property department to service the increase in lettable sites and buildings. In addition a general ramping up of staff is taking place in anticipation of the new terminal in which AAL will assume some responsibilities currently handled by the airlines. Considerable work has taken place preparing operational procedures and training staff for the quite different operating environment of a full common user terminal.

Overall EBITDA increased by 14.5% on an increase in income of 13.4%. A net loss was recorded for the year of $3.4 million compared to a net profit last year of $3.5 million. This turnaround was due entirely to dividends paid on

Redeemable Preference Shares (RPS) amounting to $17.3 million compared to interest paid on Airport Loan Notes last year of $4.5 million.

EBITA/Revenue



Note: 2001/02 EBITDA/Revenue affected by the introduction of additional mandatory security costs which are recovered at cost following the September 11 2001 terrorism event.

Capital Structure

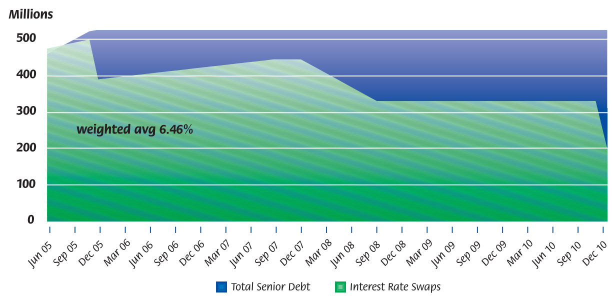
The Group drew down an additional $148.2 million from the construction facility of $260 million to fund the construction of the new terminal this year. The new terminal is programmed to open on 15 October 2005 with some construction works continuing into early 2006.

During the year the Group entered into a Land Transport borrowing agreement with the Commonwealth Government and specified lenders which will achieve an overall lower after tax cost of debt to finance the new terminal construction. Land Transport Notes (LTNs) issued under these arrangements amounted to $206.7 million during this year and further notes will be issued next year up to a total facility of $228.8 million. The term of the LTNs is five years.

The Group has a working capital facility of $20 million of which $18 million was undrawn at balance date.

Interest Rate Management

The Group has an interest rate exposure on the construction facility and the medium term note facility. This exposure is hedged by the use of interest rate swaps. The forward hedging profile of the company at balance date is represented in the graph to the right.



Investment

Capital expenditure was primarily on the new terminal. Total expenditures on the new terminal this year were $148.3 million out of a total capital expenditure of $158.1 million for the year. The new terminal project continues to be on time and within budget. Other major investments this year were:

- $1.2 million on a new roundabout on Sir Richard Williams Avenue as part of improvements to the road layout of the airport to deal with the new terminal and other developments in the terminal precinct.
- $3.6 million on the construction of the new regional headquarters for the Australian Quarantine Inspection Service in Export Park, total value of this project when complete will be $5.9 million.
- $1.1 million in aeronautical pavement overlays.
- $1.0 million on infrastructure to support the construction of an IKEA store by the airport main entrance.

Ratings

There have been some significant changes in the fundamentals of our business, particularly the increase in gearing to finance the new terminal construction. It is noteworthy that the Company has maintained its investment grade rating (Baa3/Stable; BBB-/Stable).

It was pleasing to note the improvement in outlook from Baa3/Negative to Baa3/Stable during the year and management is confident of further ratings improvement in the year ahead.

corporate governance

Adelaide Airport Ltd and the Board are committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the company's corporate governance framework to more closely align with best practice was carried out following changes made to the Shareholders Agreement during the 2004 financial year.

This statement incorporates changes to the company's governance arrangements made in the course of the review. A new Shareholders Agreement was executed 5 May 2004 formally setting out the principal rules and guidelines for the funding and management of the company.

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

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

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

Board composition

In accordance with the Shareholders Agreement the Board comprises of a minimum of 4 and a maximum of 9 directors (inclusive of the Managing Director). The maximum was increased from 8 to 9 from the date of the new Shareholders Agreement.

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

The Directors may appoint one of their number as Chairman or an independent Chairman who would become a director if so appointed. The Chairman is required to meet regularly with the Managing Director (introduced 5/5/2004).

The Board has the right to appoint directors under the Company's Constitution.

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

Board responsibilities

The responsibilities of the Board include:

- Providing strategic guidance to the company including contributing to the development of and approving the corporate strategy
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives within the financial limits set in the Shareholders Agreement

corporate governance continued

- Overseeing and monitoring:
  - Organisational performance and the achievement of the Group's strategic goals and objectives
  - Compliance with the company's Code of Conduct
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors
- Appointment, performance assessment and, if necessary removal of the Managing Director
- Ensuring there are effective management processes in place and approving major corporate initiatives
- Enhancing and protecting the reputation of the organisation
- Overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

Board members

Details of members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the directors' report under the heading "Information on directors". There are seven non-executive directors and three alternate non-executive directors (increased from five 5/5/2004).

Directors independence

Directors are appointed in accordance with the Shareholders Agreement by nomination of the shareholders, provision has been made in that agreement for the directors to appoint a Chairman who is not one of their number who would as a consequence of that appointment become and be a director. The Board has opted to appoint a chairman with effect 30 June 2004 who is independent from the shareholders of the Company.

Non-executive directors

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

Term of office

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

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

On attaining the age of 70 years, a director will retire, by agreement at the next AGM.

Chairman

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

Managing Director

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

Commitment

The Agreement requires that the Board meets at least once in each quarter of the financial year.

The Board held 11 Board meetings and an additional corporate strategy workshop during the year.

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

Conflicts of Interests

Mr D C Munt is a partner of Thomson Playford, solicitors who have provided legal services to Adelaide Airport Limited and certain of its controlled entities as described under note 27 to the financial statements. In accordance with his obligations under the Corporations Act Mr Munt has given a standing notice about his interest and has, in compliance with the Board Charter, taken no part in either discussions or decisions relating to the provision of legal services. Further Mr Munt has, in accordance with his undertakings to the Board, not been personally involved in the provision of any legal services by Thomson Playford to AAL or any of its subsidiaries.

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

Independent Professional Advice

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

Performance Assessment

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

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

Corporate Reporting

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

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

Board Committees

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

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

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

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

External Auditors

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

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

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

Risk assessment and management

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

corporate governance continued

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

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

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment health and safety, IT security, compliance and other risk management issues. Internal audit carry out regular systematic monitoring of control activities and report to both relevant business unit and the audit and compliance committee. In addition each business unit reports on the key business risks in their area to the Risk Management Group. The basis for this report is an annual review of the past performance of their area of responsibility, and the current and future risks they face. Results of internal audit work are incorporated into this review if applicable.

The Risk Management Group consolidates the business unit reports for an annual corporate strategy workshop attended by the Board and senior management. This reviews the Group's strategic direction in detail and includes specific focus on the identification of the key business and financial risks which could prevent the company from achieving its objectives. The Risk Management Group is required to ensure that appropriate controls are in place to effectively manage those risks.

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

Code of Conduct

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

Shareholder communication

All shareholders receive a copy of the company's annual and half-yearly reports. In addition those reports are accompanied by a detailed report on the performance of the Group and other material issues prepared by the managing director. Detailed briefings and site tours are available to shareholders attending the AGM.

annual report

30 June 2005

Adelaide Airport

annual report

30 June 2005

Adelaide Airport Limited

ACN 075 176 653 ABN 78 075 176 653

directors' report

In respect of the financial year ended 30 June 2005, the directors of Adelaide Airport Limited submit the following report made out in accordance with a resolution of the directors:

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 unless otherwise stated:

Phillip Andrew Baker	(Managing Director)
Ann Therese Byrne	resigned 25 August 2004
Perry Bernard Lucas	
John Robert McDonald	
David Cranston Munt	(Chairman)
John Arthur Rickus	
Graham McLennan Scott	
James Leonard Tolhurst	appointed 29 September 2004
John Frederick Ward	
Michael Delaney	(Alternate for John Rickus)
Caroline Elaine Gibson	(Alternate for Graham Scott)

Principal Activities

The economic entity acts principally within the airport industry in Australia.

Trading Results	2005 $'000	2004 $'000
The result for the financial year for the economic entity was:	(3,455)	3480

Dividends

No dividends on ordinary shares were paid during the year and no recommendation is made as to dividends (30 June 2004: $Nil).

Dividends on Redeemable Preference Shares amounting to $17.3 million were paid or provided for during the year (30 June 2004: $Nil).

In respect of the financial year 2004 $4.5 million interest was paid or provided on Airport Loan Notes which were purchased by New Terminal Construction Company Pty Ltd by way of the issue of the Redeemable Preference Shares on 18 June 2004.

Review of Operations

A summary of consolidated revenues and results by significant industry segments is set out below

	Segment revenues		Segment results	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Aeronautical services	30,642	26,911	11,461	8,804
Non-aeronautical services	38,531	34,095	19,963	17,273
Unallocated revenues	2,806	2,162	-	-
	71,979	63,168	31,424	26,077
Unallocated revenue less unallocated expenses			(34,879)	(22,597)
Profit/(Loss) from ordinary activities before income tax expense			**(3,455)**	**3,480**
Income tax (expense)/benefit			-	-
Profit/(Loss) attributable to members of Adelaide Airport Ltd			**(3,455)**	**3,480**

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

(a) Aeronautical services

Adelaide Airport experienced strong passenger growth during the year. International passenger growth was 21.6% and domestic growth was 8.1%. Qantas commenced 3 new weekly services to Auckland in December 2004, Jetstar commenced operation on 1 February 2005 with 3 daily services to Hobart, Avalon and the Gold Coast and Virgin Blue has added services to Gold Coast and Hobart.

(b) Non-aeronautical services

Airport concessionaires benefited from the strong growth in passenger numbers. There was continued interest in development on both Adelaide and Parafield Airports. Construction has commenced on an office/warehouse complex for Cheap as Chips in the Burbridge Business Park, the first tenancy. A new regional headquarters for the Australian Quarantine Inspection Service is being built by AAL after successfully bidding for this development. The Harbour Town shopping precinct is being expanded by a further 36 retail tenancies. Tenix currently have leased premises at both Adelaide and Parafield Airports and an agreement was finalised allowing them to restructure and consolidate their operations at Adelaide Airport.

(c) Other

Borrowing costs in relation to the new Terminal Construction continue to be capitalised during the construction period including net interest proceeds from the Infrastructure Borrowing Tax Offset Scheme (IBTOS) which was implemented in August 2004. Dividends on the Redeemable Preference Shares issued by New Terminal Construction Company Pty Ltd paid, declared or accrued amount to $17.3 million for the year. This was greater than had been expected due to the positive results for the year.

Changes in the State of Affairs

During the year under review the Economic Entity entered into a Land Transport Borrowing Agreement with the Commonwealth Government and specified Lenders. The purpose of the arrangement is to achieve an overall lower after tax cost of debt used to finance the construction of the new terminal. Pursuant to that agreement and other related agreements the Economic entity has issued Land Transport Notes (LTNs) to the value of $205.744 million which, with the further issue of LTNs on 1 July 2005 will take the total issue of LTNs to $228.82 million. The term of the LTNs is 5 years.

No other significant change in the state of affairs of the Company occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2005 that has significantly affected, or may significantly affect:

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

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

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

Likely Developments and Expected Results of Operations

Likely developments in the operations of the consolidated entity constituted by Adelaide Airport Ltd and the entities it controls from time to time that were not finalised at the date of this report included:

a) A new terminal development at Adelaide Airport. The new terminal is anticipated to be substantially complete and commence operations during mid October 2005 at an estimated cost of $260 million.

b) Ongoing property development potential at Adelaide and Parafield Airports which continued to be a major focus during the year. Projects currently in hand include;

- Cebas Pty Ltd is constructing an IKEA homewares store in the Terminals Precinct of Adelaide Airport, immediately west of the Airport Entrance from Sir Donald Bradman Drive. It is planned to be open in early 2006. Cebas Pty Ltd is the IKEA franchisee holder for South Australia, Western Australia and New Zealand. The IKEA store covers a site area of 6.4 hectares with a total of 24,000m² of floor space over 2 levels, and will provide some 900 spaces for car parking and includes area for expansion.
- Australand has commenced construction of an office/warehouse facility for Cheap as Chips, being the first tenancy of a 40 hectare campus style commercial/business park to be called Burbridge Business Park in the Burbridge Policy Area.
- Adelaide Airport Ltd has almost completed construction of a new South Australian regional office for the Australian Quarantine and Inspection Service in Export Park.

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

Environmental Regulation

Adelaide Airport Limited's (AAL) environmental obligations are set under the Airports Act 1996 (the Act), and Airports (Environment Protection) Regulations 1997 (the Regulations). The environmental performance of AAL is monitored and reported upon by the AAL Environmental Manager and reviewed by the Commonwealth Airport Environment Officer (AEO), an environmental expert appointed by the Department of Transport and Regional Services to assure compliant environmental performance. In accordance with the Act and Regulations, AAL prepared and submitted its first draft Environment Strategy and a draft Master Plan for both Adelaide and Parafield Airports to the Minister for Transport and Regional Services in June 1999 and these were subsequently approved in August 1999. Subsequent to this approval, AAL made significant progress towards implementing the commitments contained within these Environment Strategies at both airports, particularly in the area of implementation and operation of the respective Environmental Management Systems. Master Plans and Environment Strategies must be reviewed every 5 years in accordance with the Act. As a result, AAL submitted revised versions of these documents to the Minister in August 2004, following extensive consultation and a 90 day public display period.

The Minister for Transport and Regional Services subsequently approved the draft Environment Strategy for both Airports on the 25 October 2004, with the draft Master Plan for both Adelaide and Parafield Airports receiving Ministerial approval on 3 November 2004.

No actions by AAL operators at the airport or tenants have resulted in any Authorisations or Environmental Protection Orders being issued by the AEO, with AAL's stated intent being to meet or exceed all relevant environmental regulations and criteria.

Minor Variation to the Master Plan - Parafield Airport

The Parafield Master Plan (1999) recognised that the indicative nature of the boundaries of three precincts was dependant upon the finalisation of the route of the Mawson Connector.

This alignment has now been finalised and the boundaries adjusted to reflect the final alignment. In addition, a review of the complying and non-complying uses was undertaken, with minor amendments and clarifications. Invitation to comment by formal submission was extended to 1 September 2003. At the conclusion of this public display period the draft Minor Variation and an Addendum incorporating issues raised from the 4 submissions received, was forwarded to the Minister for Transport and Regional Services. The Minor Variation was approved by the Minister on 15 January 2004.

Cross Keys Precinct Major Development Plan (MDP) - Parafield Airport

The MDP represents a strategic plan for the development of the Cross Keys Precinct, the development of a conservation zone in the Bennett Precinct and the finalisation of the alignment of the Mawson Connector. The draft MDP went on public display on 3 May 2004 for a period of 90 days and was submitted to the Minister for Transport and Regional Services on 4 August 2004 incorporating issues raised from the 3 submissions that were received. The draft MDP was subsequently approved on 18 January 2005.

directors' report

Information on directors

DIRECTORS

PHIL BAKER, FCILT, FAICD ***Managing Director***

Appointed on the 24 April 1998 as Managing Director of Adelaide Airport Limited, Phil also holds directorships with Queensland Airports Limited, Gold Coast Airport Limited, Australian Airports (Holdings) Limited, Australian Airports (Townsville) Limited, Australian Airports (Mt Isa) Limited and Adelaide Convention and Tourism Authority. He is a Fellow of the Chartered Institute of Transport and the Australian Institute of Company Directors, a Business Ambassador South Australia and former Managing Director of Ringway Handling Services Limited (Manchester Airport - United Kingdom), former director of the Australian British Chamber of Commerce and a Director of the Tourism Task Force Limited. Phil has over thirty five years of experience in the aviation industry, including airlines and handling agents.

Special Responsibilities

Member Building Committee

ANN BYRNE, HDTS, *Grad Dip*, HRD, FAICD, **Director**

Ann was appointed on the 23 July 2001 as a non-executive director nominated by UniSuper Ltd. Ann is the Chief Executive Officer of UniSuper Ltd. Ann resigned 25 August 2004.

Special Responsibilities

Member Audit & Compliance Committee

Member Building Committee

PERRY LUCAS, B.EC, MAICD, **Director**

Perry was appointed on 30 June 2004 as a non-executive director. Perry is a Senior Portfolio Manager with Colonial First State Investments Limited. His responsibilities include identification and acquisition of new infrastructure investments and management of existing investments. He has ten years experience investing and managing infrastructure investments on behalf of institutional investors. He has been employed by the Commonwealth Bank Group for fifteen years in corporate finance and funds management roles. Perry is a director of BAC Holdings Ltd, Brisbane Airport Corporation Pty Limited and a Partner Representative with the Hazelwood Power partnership (HPP).

Special responsibilities

Member Building Committee

Member Remuneration Committee

JOHN McDONALD, *Dip Tech*, FCA, FASA, CPA, FIAA, **Director**

John was originally appointed on the 29 July 1998 as an alternate director for Isabel Liu nominee director of a former shareholder, Laing Investments Ltd, and then on the 11 February 2000 as a non-executive director. After the sale of Laing Investments Ltd's holding, John was appointed as a non-executive director nominated by Motor Trades Association of Australia Superannuation Fund Pty Ltd on 1 December 2003. John is a foundation member of the Australian Institute of Arbitrators and Mediators; Co-founder of Macmahon Holdings Limited; former Chairman and partner of a major South Australian firm of chartered accountants and Chairman of H J Investments Pty Ltd Group. John is a former director of Abigroup Limited and former Chairman of Abigroup Southern Region. John has extensive financial and operational experience in the construction industry.

Special responsibilities

Member Property Development Committee

Member Building Committee

DAVID MUNT, LL.B (Hons), ***Chairman***

David was appointed on 30 June 2004 as a non- executive director and Chairman. David has had nearly 30 years experience as a corporate and commercial solicitor, primarily involved in representing parties in difficult and complex litigation. He has had long experience as a public company chairman and as a director of private companies. David is Chairman of Partners of law firm Thomson Playford and Deputy Chairman of Seeley International Pty Ltd.

Special responsibilities

Chairman Building Committee

Chairman Remuneration Committee

Member Property Development Committee

JOHN RICKUS, FAICD, **Director**

John was appointed on the 1 September 1998 as a non-executive director nominated by Motor Trades Association of Australia Superannuation Fund Pty Ltd of which he is Chairman. John is Chairman of Flinders Ports Pty Ltd and a director of Brisbane Airport Corporation Ltd. He is a past President of the Motor Trades Association of Australia and his business career spanned stockbroking in both the UK and Australia and the retail motor industry. He is currently studying economics at Adelaide University.

Special responsibilities

Chairman Audit & Compliance Committee

Member Property Development Committee

Member Building Committee

Member Remuneration Committee

GRAHAM SCOTT, B.Ec (Hons), **Director**

Graham was appointed on the 24 April 1998 as a non-executive director nominated by Local Super SA-NT. He is Chairman of the South Australian Local Government Superannuation Scheme and Unisure Ltd. He is also on the Board of UniSuper Ltd. He was Deputy Director of the South Australian Centre for Economic Studies from its establishment by Flinders and Adelaide Universities in 1984. He was the South Australian Independent Pricing and Access Regulator for gas from 1998 to 2003. Graham was Adelaide Airport Limited's first Chairman holding that position from the 24 April 1998 until his resignation with effect from 30 June 2004.

Special responsibilities

Chairman Property Development Committee

Member Building Committee

Member Audit & Compliance Committee

JAMES 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 was Deputy Chair of UniSuper Ltd from 1999 to 2002 and is currently the Chair of Queensland Airports Ltd, Gold Coast Airport Ltd, and Piggabeen Land Co Pty Ltd, a director of Leichhardt Coal Pty Ltd, Blair Athol Coal Pty Ltd, Newco Finance Pty Ltd, Australian Airports (Holdings) Limited, Australian Airports (Townsville) Limited, Australian Airports (Mt Isa) Limited and is a Council Member of Central Queensland University. Jim has had over forty years of experience in accounting and administration.

Special responsibilities

Member Audit & Compliance Committee

Member Building Committee

JOHN WARD, BSc, FAICD; FAIM; FAMI; FCIT, **Director**

John joined the Board on 28 August 2002 as a non executive Director nominated by UniSuper Limited. He is a professional company director and management consultant. He retired as the General Manager Commercial of News Limited in mid 2001. Prior to joining News Corporation in mid 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, Chairman of Transonic Travel Ltd and Wolseley Partners Pty Ltd, a Director of Brisbane Airport Corporation Limited, Tourism NSW, and Ventracor Limited.

Special responsibilities

Member Property Development Committee

Member Building Committee

Member Remuneration Committee

ALTERNATE DIRECTORS

MICHAEL DELANEY, BA, JP, ***Alternate Director***

Michael was appointed on the 15 December 1999 as alternate director for John Rickus, nominated by Motor Trades Association of Australia Superannuation Fund Pty Ltd. He has been the Principal Executive Officer and Secretary of the MTAA Fund since its inception in 1989. He is, as well, a director of the fund. Michael is also Executive Director of the Motor Trades Association of Australia Ltd. Prior to his positions with MTAA he held senior positions in the Australian Public Service, including Senior Advisor to the Prime Minister, Principal Private Secretary to the Minister of Finance, Principal Private secretary to the Leader of the Opposition, First Assistant Secretary, the National Campaign Against Drug Abuse in the Commonwealth Department of Health and Deputy Secretary/Principal Advisor to the Minister for Employment, Education and Training.

CAROLINE GIBSON, B.EC, MAICD, ***Alternate Director***

Caroline was appointed on the 17 December 2003 as an alternate director for Graham Scott. Caroline is the Executive Officer of Local Super SA-NT.

COMPANY SECRETARIES

LEN GOFF, FPNA, GRAICD

Len was appointed Company Secretary on the 29 March 1999. Len has had 18 years experience in the aviation industry and has a background of management and financial accounting in the manufacturing industry. Len is a Fellow Professional National Accountant and a Graduate Member of the Australian Institute of Company Directors.

MARK YOUNG, B.EC, FCPA, FAICD, FCIS

Mark was appointed Chief Financial Officer on 23 July 2001 and Company Secretary on 28 November 2001. Mark has 25 years experience in the finance industry with a background of financial management and accounting principally in a listed company environment. Mark is a Fellow of the Australian Society of CPA's, a Fellow of the Australian Institute of Company Directors and a Fellow of the Chartered Institute of Secretaries in Australia.

directors' report

Director's Meetings

	Full meetings of Directors	Meetings of committees: Building Committee	Property Development Committee	Audit and Compliance Committee	Remuneration Committee
Meetings held	**11**	**10**	**5**	**3**	**1**
Director					
Phillip Baker	11	10	-	-	-
Ann Byrne (resigned 25 August 2004)	1[2]	1[2]	-	-	-
Perry Lucas	9[11]	8[10]	-	-	1
John McDonald	11	10	5	-	-
David Munt	9[11]	8[10]	3[5]	-	1
John Rickus	11	10	4[5]	3	1
Graham Scott	9[11]	8[10]	4[5]	3	-
James Tolhurst (appointed 29 September 2004)	8[9]	8[8]	-	2[2]	-
John Ward	10[11]	9[10]	4[5]	-	1
Michael Delaney	-	-	-	-	-
Caroline Gibson	-	-	-	-	-

Where a director did not attend all meetings of the Board or relevant committee, the number of meetings for which the director was eligible to attend is shown in brackets.

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 consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of 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.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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 Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors:

John Rickus, Director

Phillip Baker. Director

Adelaide 6 October 2005

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

91 King William Street
ADELAIDE SA 5000
GPO Box 418
ADELAIDE SA 5001
DX 77 Adelaide
Australia
www.pwc.com/au
Telephone +61 8 8218 7000
Facsimile +61 8 8218 7999

Auditors' Independence Declaration

As lead auditor for the audit of Adelaide Airport Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

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

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

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

PG Steel
Partner
PricewaterhouseCoopers

Adelaide
6 October 2005

financial report

30 June 2005

financial performance

Statements of Financial Performance for the year ended 30 June 2005

		Consolidated		Parent entity	
		2005	2004	2005	2004
	Note	$'000	$'000	$'000	$'000
Revenue from ordinary activities	3	71,979	63,168	66,207	58,248
Employee benefits expense		(7,213)	(5,989)	(6,876)	(5,663)
Depreciation and amortisation expenses	4	(11,464)	(11,436)	(10,715)	(10,728)
Services & utilities		(10,909)	(9,487)	(10,244)	(8,931)
Consultants & advisors		(2,574)	(2,464)	(2,271)	(2,222)
General administration		(3,649)	(3,090)	(3,568)	(2,980)
Leasing & maintenance		(1,785)	(1,795)	(1,621)	(1,677)
Borrowing costs expense	4	(37,826)	(24,830)	(37,753)	(24,830)
Carrying amount of non-current assets sold		(14)	(597)	(14)	(597)
Profit/(Loss) from ordinary activities before income tax expense	**4**	**(3,455)**	**3,480**	**(6,855)**	**620**
Income tax (expense)/benefit attributable to operating profit/(loss)	5	-	-	1,262	1,073
Profit/(Loss) from ordinary activities after income tax expense		**(3,455)**	**3,480**	**(5,593)**	**1,693**
Net increment (decrement) in asset revaluation reserve		-	-	-	-
Total revenue, expenses and valuation adjustments attributable to members of Adelaide Airport Limited recognised directly in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		**(3,455)**	**3,480**	**(5,593)**	**1,693**

The above statements of financial performance should be read in conjunction with the accompanying notes.

financial position

Statements of Financial Position for the year ended 30 June 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Current assets					
Cash assets	6,20	54,844	47,189	24,327	18,432
Receivables	7,20	5,928	5,442	20,581	22,757
Other	8	3,044	2,955	28,066	2,163
Total current assets		63,816	55,586	72,974	43,352
Non-current assets					
Property, plant and equipment	9	433,617	284,872	412,876	263,440
Intangible assets	10	200,946	204,282	200,198	203,614
Other	11	438	-	438	-
Total non-current assets		635,001	489,154	613,512	467,054
Total assets		**698,817**	**544,740**	**686,486**	**510,406**
Current liabilities					
Payables	12,20	28,316	16,390	21,036	16,390
Interest bearing liabilities	13,20	86	87	86	87
Provisions	14	936	634	-	-
Other	15,20	1,089	3,894	457	302
Total current liabilities		30,427	21,005	21,579	16,779
Non-current liabilities					
Interest bearing liabilities	16,20	649,605	501,424	654,960	478,087
Provisions	17	61	132	-	-
Total non-current liabilities		649,666	501,556	654,960	478,087
Total liabilities		**680,093**	**522,561**	**676,539**	**494,866**
Net assets		**18,724**	**22,179**	**9,947**	**15,540**
Equity					
Contributed equity	18	1,905	1,905	1,905	1,905
Reserves	19(*a*)	53,954	53,954	51,925	51,925
Accumulated losses	19(*b*)	(37,135)	(33,680)	(43,883)	(38,290)
Total equity		**18,724**	**22,179**	**9,947**	**15,540**
Equity and stapled securities					
Total equity		18,724	22,179	9,947	15,540
Loan notes	20	-	-	188,563	188,563
Redeemable Preference Shares	20	188,563	188,563	-	-
Total equity and loan notes		**207,287**	**210,742**	**198,510**	**204,103**

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

cash flows

Statements of Cash Flows for the year ended 30 June 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		74,760	67,417	70,551	60,863
Payments to suppliers and employees					
(inclusive of GST)		(33,867)	(28,498)	(30,502)	(27,413)
Interest received		2,724	1,973	1,190	842
Interest and other borrowing costs paid		(29,309)	(28,095)	(43,414)	(27,533)
RPS Dividend		(10,259)	-	-	-
Net cash inflow/outflow from operating activities	28	4,049	12,797	(2,175)	6,759
Cash flows from investing activities					
Payments for property, plant and equipment		(143,853)	(47,277)	(143,833)	(47,113)
Payments for other non-current assets		(271)	(232)	(81)	(148)
Proceeds from sale of property, plant and equipment		6	-	6	-
Net cash outflow from investing activities		(144,118)	(47,509)	(143,908)	(47,261)
Cash flows from financing activities					
Proceeds from borrowings		148,167	46,825	-	-
Loans to tenants		(443)	-	(443)	-
Loans from associated companies		-	-	152,421	45,107
Net cash inflow from financing activities		**147,724**	**46,825**	**151,978**	**45,107**
Net increase in cash held		7,655	12,113	5,895	4,605
Cash at the beginning of the financial year		47,189	35,076	18,432	13,827
Cash at the end of the financial year	6	54,844	47,189	24,327	18,432

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

contents

notes to financial statements

notes to financial statements

Note 1. *Summary of significant accounting policies*

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention. The transitional provisions of AASB 1041 Revaluation of Non Current Assets have been applied to those assets previously revalued which are now deemed to be carried at cost. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) BASIS OF ACCOUNTING

The financial statements have been prepared on the basis that the economic entity will continue to operate as a going concern. The economic entity expects to achieve positive cash flows over the term of the lease but will incur accounting losses for a number of years.

The financial statements have been prepared on the basis of historical costs and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent entity, Adelaide Airport Limited, and its controlled entities, referred to collectively throughout these financial statements as the "economic entity". All inter-entity balances and transactions have been eliminated.

(c) STAPLED SECURITIES & LOAN NOTES

On 18 June 2004 Adelaide Airport Limited's wholly owned subsidiary New Terminal Construction Company Pty Ltd issued to existing shareholders 1,904,676 Redeemable Preference Shares (RPS) with a face value of $99 (redeemable at $100) for a term of 10 years. Each of the RPS is stapled to an ordinary share on issue by Adelaide Airport Limited and the two instruments cannot be traded separately.

The Airport Loan Notes, previously issued to the shareholders of Adelaide Airport Limited and stapled to the ordinary shares, were unstapled and sold by the holders to New Terminal Construction Company Pty Ltd on 18 June 2004.

The RPS are classified in the statement of financial position as non-current liabilities, because they are a debt instrument. However, because they cannot be traded separately, the statement of financial position also discloses the combined amount of equity and RPS.

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 Airport Loan Notes from Adelaide Airport Limited to New Terminal Construction Company Pty Ltd.

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.

(d) RECEIVABLES AND BORROWINGS

Receivables and borrowings are recorded at their net fair values. A provision is raised for any doubtful debts based on a review of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified.

Borrowings are recognised when issued at the amount of the net proceeds received and carried at this amount. Interest on the borrowings is recognised as an expense on an accruals basis.

(e) CAPITALISATION OF ESTABLISHMENT EXPENSES AND DEFERRED EXPENSE

Establishment expenses, including consultancy costs, formation expenses and establishment costs, incurred as part of obtaining the lease right from the Commonwealth to operate the airports prior to commencement of operations have been capitalised as an intangible asset. The capitalised establishment expenses are subsequently amortised on a straight-line basis over the period which the benefit from the capitalised establishment expenses is expected to arise. Capitalised establishment expenses are carried at the lower of cost and recoverable amount.

The expense of an agreed payment to terminate the Airport Operations Services Contract early was deferred to reflect the future benefit to the economic entity and was amortised over ten quarters in line with the agreed cash outflows. This expired in December 2004.

(f) INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

notes to financial statements

The benefit arising from estimated carry forward tax losses is recorded as a future income tax benefit where realisation of such benefit is considered to be virtually certain.

These accounts have been prepared in accordance with the October 1989 version of Australian Accounting Standard AASB 1020 - Income Taxes.

Tax consolidation

Adelaide Airport Limited and its wholly-owned entities have elected to form a group for tax consolidation purposes.

Adelaide Airport Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before implementation of the tax consolidation regime.

(g) CASH

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) COMPARATIVE FIGURES

Comparative figures where necessary, have been adjusted to conform to changes in presentation in the current year.

(i) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount.

The expected net cash flows included in determining recoverable amounts of non current assets are discounted to their present values.

(j) REVENUE RECOGNITION

Revenue (including interest income) is recognised on an accrual basis. Revenue received in advance is recorded as a liability in the statement of financial position and brought to account in the statement of financial performance over the period in which the benefit will be derived.

Aeronautical revenues comprise landing fees based on the maximum take-off weight (MTOW) of aircraft or passenger numbers (as elected by airline customers); terminal charges based on passenger numbers and a recovery of Government mandated security charges.

Commercial trading revenue comprises concessionaire rent and other charges received including income from public car parks.

Property revenue comprises rental income from airport terminals, buildings and other leased areas.

Government Grant income has been recognised as income whilst the related expenditure has been capitalised and depreciated in accordance with note 1(m).

(k) LEASED NON-CURRENT ASSETS

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

The leased asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 5 to 15 years.

(l) 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.

(m) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on a straight-line basis to write off the net cost or revalued 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:

Category	Useful life	Depreciation basis
Land Under Lease	4 - 99 yrs	straight line
Buildings	25 yrs	straight line
Leasehold Improvements		
Runways, taxiways and aprons existing at 28 May 1998	25 yrs	straight line
Runways, taxiways and aprons where completed post 28 May 1998:		
Base	Balance of lease term	straight line
Surface	15 yrs	straight line
Roads & car parks	10 yrs	straight line
Fences & gates	8 yrs	straight line
Lighting & visual aids	10 yrs	straight line
Mains services	20 yrs	straight line
Plant & Equipment	3 - 25 yrs	straight line
Computer & Other Office Equipment	2.5 - 5 yrs	straight line
Furniture & Fittings	10 - 16 yrs	straight line
Low Value Asset Pool	3 yrs	Diminishing Value

As a result of obtaining the lease right to operate the airports from the Commonwealth, the economic entity obtained the right to use of 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 land, structures and buildings are amortised by the economic entity over a period not exceeding 99 years commencing 28 May 1998.

(n) LEASEHOLD IMPROVEMENTS

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

(o) INTANGIBLE LEASE RIGHT

The agreed purchase price paid to the Commonwealth to obtain the right to operate the airports was in excess of the net fair values of the assets and liabilities acquired at completion date.

As a result, the excess of the purchase price over the net fair value of the assets and liabilities on completion date has been recorded as an intangible lease right, representing the premium paid by the economic entity to obtain the right to operate the airports.

The directors believe that the expected future cash flows of the airports are sufficient to warrant the recognition of this intangible lease right and it will be amortised on a straight-line basis over the 99 year lease right period.

The unamortised balance of the lease right is reviewed each balance date and charged to the statement of financial performance to the extent that future benefits from the lease right are no longer probable.

(p) EMPLOYEE ENTITLEMENTS

(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 expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date 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.

notes to financial statements

(q) DERIVATIVE FINANCIAL INSTRUMENTS

The consolidated entity enters into interest rate swap agreements. The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date. When an interest rate swap is terminated early and the underlying hedged transactions are no longer expected to occur as designated, the gains or losses arising on the swap upon its early termination are recognised in the statement of financial performance as at the date of the termination.

(r) TRADE AND OTHER CREDITORS

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

(s) BORROWING COSTS

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in qualifying assets.

Borrowing costs include:

- interest on borrowings;
- amortisation of deferred establishment costs;
- ancillary costs; and
- dividends on Redeemable Preference Shares.

(t) ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(u) 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 as expenses as 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 in accordance with note 1(m). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(v) WEB SITE COSTS

Costs in relation to web sites controlled by a controlled entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit.

(w) INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS (AIFRS), and the Urgent Issues Group has issued interpretations corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of AIFRS will be first reflected in the company's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The company has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports to the Audit & Compliance Committee at its scheduled meetings. To date the project team has analysed most of the AIFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the company.

Major changes identified to date that will be required to the company's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

(i) Income tax

Under the new AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheet and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

The net future tax benefits of the Group have not been recognised in the AGAAP financial statements as realisation of those benefits has not been considered to be virtually certain. Under AIFRS the criteria for recognition of future tax benefits changes from "virtual certainty" to "probable". It is not expected that this will result in any change to the treatment of future tax benefits.

(ii) Revenue recognition

Under current Australian GAAP (AGAAP) Government Grant income has been recognised as income whilst the related expenditure on non-current assets has been capitalised and depreciated. Under AIFRS Government Grant Income is to be set up as deferred income and recognised as income over the useful life of the assets to which it relates.

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the AGAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amounts of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference is nil.

(iii) Asset Valuations

Investment properties

Under the new AASB 140 *Investment Property*, if investment properties are measured at fair value, net of applicable tax, gains or losses arising from changes in fair value are recognised in net profit or loss for the period in which they arise.

If investment properties continue to be carried at deemed cost, as is the present policy under AGAAP, there will not be any change on transition to AIFRS.

Land

Under AIFRS leasehold land will need to be reclassified as an operating lease. Land held for operational purposes will be carried at cost whereas under AGAAP such land may be carried at fair value or deemed cost. Land held for investment purposes may continue to be carried at fair value or deemed cost.

The company has not made any decision as to whether investment properties or land held for investment purposes will be carried at either fair value or deemed cost.

(iv) Intangible assets

The company has the option of applying AASB 3 *Business Combinations* to business combinations occurring before the date of transition to AIFRS.

If the company elects to apply AASB 3 retrospectively to past business combinations the company would need to allocate the cost of the business combination by;

- recognising and measuring at their fair values at the acquisition date all of the identifiable assets (including intangible assets that are either separable or arising from contractual or other legal rights), liabilities and contingent liabilities transferred as part of the business combination. This includes any deferred tax assets and liabilities arising from temporary differences between the tax bases and fair values at the acquisition date of those identifiable assets, liabilities and contingent liabilities.
- recognising as goodwill any difference between the cost of the combination and the net amount recognised for the identifiable assets, liabilities and contingent liabilities transferred as part of the business combination.

Amortisation of Goodwill will be prohibited and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating units. Any subsequent reductions in the carrying value of goodwill, arising from the annual impairment test, will be recognised in the Income Statement in the period in which they arise.

The company has not made any election in relation to the retrospective application of AASB 3.

(v) Financial instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments:* Disclosure and Presentation and AASB 139 *Financial Instruments:* Recognition and Measurement only from 1 July 2005. This allows the group to apply previous AGAAP to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB 132, the current classification of financial instruments issued by entities in the consolidated entity would not change.

AASB 139 is likely to have the following impacts.

(i) Classification and measurement of financial assets and liabilities

Under AASB 139, loans and receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005.

(ii) Hedging

Under AASB 139, Interest rate swap contracts held for hedging purposes will be accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be included in the Income Statement.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of hedges from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005 as a result of the exemption.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to AIFRS on the company's financial position and reported results.

(x) LAND TRANSPORT NOTES

Land Transport Notes (LTNs) are issued by the economic entity with a fixed coupon rate, which interest is non-deductible for tax purposes. The interest income in the hands of investors has an Infrastructure Borrowings Tax Offset attached to the benefit of the investor. A proportion of that benefit is returned to the economic entity as interest received together with a partial repayment of the principal. The partial repayment of the principal is treated as income in the hands of the economic entity as it is reflected in the conversion of "A" Class LTNs to "B" Class LTNs. The term of the "A" Class LTNs is 5 years. The term of the "B" class LTNs coincides with the Airport lease term which initially is to 2048 but may be extended for a further 49 years. Put and call options between parties ensure that on maturity or early termination that there is a simultaneous settlement of all amounts outstanding at that time. The amounts of the loan to MBL and the amount of the LTNs are considered to meet legal and accounting requirements of being set-off against each other under AASB 1014 and no asset or liability in respect of the loans or LTNs has been recorded in the balance sheet of the consolidated entity.

Note 2. Segment information

Business segments

The consolidated entity is organised into the following divisions by service type:

Aeronautical

Provision of aeronautical services including but not limited to aircraft movement facilities and activities and passenger processing facilities and activities

Non-Aeronautical

Services other than aeronautical services consisting of property development, property management and car park management.

Geographical segments

The consolidated entity's operations are wholly located in South Australia.

Note 2. Segment information (continued)

		2005			2004		
		Aeronautical	Non Aeronautical	Consolidated	Aeronautical	Non Aeronautical	Consolidated
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Total operating revenue	3	30,031	38,436	68,467	26,557	33,891	60,448
Other revenue	3	611	95	706	354	204	558
Total segment revenue	3	30,642	38,531	69,173	26,911	34,095	61,006
Segment result		11,461	19,963	31,424	8,804	17,273	26,077
Unallocated revenue less unallocated expenses				(34,879)			(22,597)
Profit/(Loss) from ordinary activities before income tax benefit				(3,455)			3,480
Income tax (expense)/benefit				-			-
Net profit/(loss)				(3,455)			3,480
Segment assets		430,666	229,358	660,024	300,285	206,119	506,404
Unallocated assets				38,793			38,336
Total assets				698,817			544,740
Segment liabilities		183,049	34,075	217,124	52,702	12,945	65,647
Unallocated liabilities				462,969			456,914
Total liabilities				680,093			522,561
Acquisition of property, plant and equipment, intangibles and other non-current segment assets		135,104	22,972	158,076	50,086	11,247	61,333
Depreciation and amortisation expense	4	6,607	4,857	11,464	6,283	5,153	11,436
Other non-cash expenses		134	103	237	58	44	102

Notes to and forming part of the segment information

Accounting policies

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and lease premium and other intangible assets, net of related provisions. While most of the assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes.

notes to financial statements

Note 3. Revenue

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Revenue from operating activities				
Aeronautical revenue	30,031	26,557	29,865	26,393
Commercial trading revenue	14,853	13,442	13,653	12,304
Property revenue	23,193	20,350	20,345	17,911
Other revenue	390	99	389	84
	68,467	60,448	64,252	56,692
Revenue from outside the operating activities				
Interest	2,806	2,162	1,249	998
Sale of non-current assets	6	-	6	-
Government grants (note 4(a))	700	558	700	558
	3,512	2,720	1,955	1,556
Revenue from ordinary activities	**71,979**	**63,168**	**66,207**	**58,248**

Note 4. Profit/Loss from ordinary activities

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
(a) Net gains and expenses				
Profit/(Loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains				
Grant from State Government ex Black Spot Funding towards provision of traffic lights at Kings Road Parafield	-	150	-	150
Grant from State Government being an interest rate subsidy towards financing cost of New Terminal.	700	408	700	408

Note 4. Profit/Loss from ordinary activities (continued)

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Expenses				
Net loss on disposal				
Property, plant and equipment	8	597	8	597
Depreciation of:				
Buildings	1,413	1,476	1,328	1,417
Leasehold improvements	4,077	3,880	3,739	3,544
Plant & equipment	1,926	2,052	1,823	1,938
Computers, office equipment, furniture & fittings	539	531	511	504
Amortisation of land under lease	1,363	1,348	1,208	1,193
Total amortisation and depreciation of property plant and equipment	9,318	9,287	8,609	8,596
Amortisation of:				
Capitalised establishment expenses	288	288	287	288
Master plan	93	54	54	37
Intangible lease right	1,765	1,807	1,765	1,807
Total amortisation	2,146	2,149	2,106	2,132
Total amortisation and depreciation	11,464	11,436	10,715	10,728
Borrowing costs:				
Interest on Airport Loan Notes	-	4,500	17,310	4,500
Dividends on RPS paid and/or provided	17,311	-	-	-
Interest paid or payable to unrelated persons	19,053	18,938	19,053	18,938
Amortisation of borrowing costs	1,462	1,392	1,390	1,392
Total borrowing costs expensed	37,826	24,830	37,753	24,830
Borrowing costs capitalised into carrying amounts of non-current assets	8,290	6,475	8,290	5,913
Other operating expense items				
Net bad debts written off or net charge/(write back) to provision for doubtful debts	20	39	15	46
Provision for employee benefits	642	506	-	-
Operating lease - minimum lease payments	303	343	281	315
	965	888	296	361

Note 5. Income tax

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
(a) The income tax expense for the financial year differs from the amount calculated on the profit/(loss). The differences are reconciled as follows: Profit/(loss) from ordinary activities before income tax expense	(3,455)	3,480	(6,855)	620
Income tax expense/(benefit) calculated @ 30% (2004 30%)	(1,036)	1,044	(2,056)	186
Tax effect of permanent differences:				
Non-deductible amortisation	1,025	1,033	978	986
Non-deductible depreciation	10	22	7	12
Non-deductible expenses	110	18	78	18
Income tax expense/(benefit) adjusted for permanent differences	109	2,117	(994)	1,202
Income tax benefit not recognised	760	740	601	582
Benefit of tax losses of prior years recouped	(869)	(2,857)	(869)	(2,857)
Income tax expense/(benefit) attributable to profit from ordinary activities before impact of tax consolidation	-	-	(1,262)	(1,073)
Profit from ordinary activities before income tax expense - tax consolidated group (excluding parent entity)	-	-	3,400	2,861
Income tax calculated @ 30% (2004 - 30%)	-	-	1,020	858
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	-	-	83	56
Income tax expense/(benefit) adjusted for permanent differences	-	-	1,103	914
Income tax benefit/(liability) not recognised (net Group benefit)	-	-	159	159
Income tax expense - tax consolidated group (excluding parent entity)	-	-	1,262	1,073
Compensation received from tax consolidated group entities	-	-	(1,262)	(1,073)
Aggregate income tax expense/(benefit)	-	-	(1,262)	(1,073)
Aggregate income tax expense/(benefit) comprises:				
Future income tax benefit	-	-	-	-
Tax losses transferred		-	-	-
Compensation received from tax consolidated group entities	-	-	(1,262)	(1,073)
	-	-	(1,262)	(1,073)
Tax losses				
(b) No future income tax benefit is attributable to tax losses. The directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is	112	1,330	112	1,330

Note 5. Income tax (continued)

This benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

(c) Tax consolidation legislation

Adelaide Airport Limited and its wholly-owned entities have decided to implement the tax consolidation legislation as of 1 July 2004.

The accounting policy on implementation of the legislation is set out in note 1(f).

The wholly-owned entities have fully compensated Adelaide Airport Limited for deferred tax liabilities assumed by Adelaide Airport Limited on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Adelaide Airport Limited.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities reimburse Adelaide Airport Limited for any current income tax payable by Adelaide Airport Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable included in the amounts receivable from other controlled entities by Adelaide Airport Limited (see note 7). In the opinion of the directors, the tax sharing agreement is a valid agreement under the tax consolidation legislation and limits the joint and separable liability of the wholly-owned entities in the case of default by Adelaide Airport Limited.

Note 6. Current assets - Cash assets

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Cash at bank and on hand	23,695	15,521	23,695	15,521
Cash reserves at bank[1]	31,149	31,668	632	2,911
	54,844	47,189	24,327	18,432

[1]Cash reserves are established subject to certain conditions in the Security Trust Deed with the Australia and New Zealand Banking Group Limited and are a debt service and construction reserve for the new terminal and are not available for general working capital use.

Note 7. Current assets - Receivables

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Trade debtors	5,928	5,448	5,928	5,448
Less: Provision for doubtful debts	-	(6)	-	(6)
	5,928	5,442	5,928	5,442
Receivable from other controlled entities	-	-	14,653	17,315
	5,928	5,442	20,581	22,757

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Note 8. Current assets - other

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Deferred expense (note 1(e))	-	680	-	-
Loans to tenants	5	-	5	-
Prepayments	571	489	571	489
Prepaid capital work in progress to controlled entity	-	-	25,157	-
Accrued revenue	2,468	1,786	2,333	1,674
	3,044	2,955	28,066	2,163

Note 9. Non-current assets - Property, plant & equipment

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Land & buildings				
Freehold and leasehold land				
- At cost	133,817	133,674	118,703	118,561
Less: Accumulated depreciation	(6,755)	(5,392)	(5,979)	(4,771)
	127,062	128,282	112,724	113,790
Leasehold buildings				
- At cost	29,869	29,720	28,261	28,115
Less: Accumulated depreciation	(7,081)	(5,667)	(6,761)	(5,434)
	22,788	24,053	21,500	22,681
Leasehold improvements				
- At cost	69,434	67,664	63,372	61,608
Less: Accumulated amortisation	(18,554)	(14,476)	(16,893)	(13,155)
	50,880	53,188	46,479	48,453
Total land and buildings	200,730	205,523	180,703	184,924
Plant and equipment				
Plant & equipment				
- At cost	14,191	13,358	13,028	12,208
Less: Accumulated depreciation	(8,386)	(6,402)	(7,812)	(5,932)
	5,805	6,956	5,216	6,276
Plant & equipment under lease at capitalised cost	376	479	376	479
Less: Accumulated depreciation	(178)	(248)	(178)	(248)
	198	231	198	231
Computers, office equipment, furniture & fittings				
- At cost	4,945	4,562	4,691	4,309
Less: Accumulated depreciation	(2,990)	(2,463)	(2,861)	(2,363)
	1,955	2,099	1,830	1,946
Total plant and equipment	**7,958**	**9,286**	**7,244**	**8,453**
Capital works[1]				
Capital works in progress				
- At cost	224,929	70,063	224,929	70,063
Total capital works	**224,929**	**70,063**	**224,929**	**70,063**
Total non-current assets - property, plant and equipment	**433,617**	**284,872**	**412,876**	**263,440**

[1]Included in capital works in progress is an amount of $217,865,472 (2004 - $69,596,529) for construction costs of the new terminal development.

Note 9. Non-current assets - Property, plant & equipment (continued)

The capital gains tax has not been taken into account in determining the carrying amounts of these assets as they are integral to the consolidated entity's operations and there is no intention to sell these assets.

Valuation of land and buildings

An independent valuation of buildings was undertaken in June 2005 by Rushton Valuers Pty Ltd. The basis of that valuation was Fair Value. The buildings were valued at $61,180,050; their carrying value at 30 June 2005 is $22,787,997. The Land was valued at $286,980,000, its carrying value at 30 June 2005 is $127,061,467 Land, Buildings and Leasehold Improvements are carried at Deemed Cost in accordance with the transitional provisions of AASB 1041 Revaluation of Non Current assets.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Consolidated				
Carrying amount at 1 July 2004	205,523	9,286	70,063	284,872
Additions	2,060	1,150	154,866	158,076
Disposals	-	(13)	-	(13)
Depreciation/amortisation expense (note 4(a))	(6,853)	(2,465)	-	(9,318)
Carrying amount at 30 June 2005	200,730	7,958	224,929	433,617
Parent entity				
Carrying amount at 1 July 2004	184,924	8,453	70,063	263,440
Additions	2,054	1,138	154,866	158,058
Disposals	-	(13)	-	(13)
Depreciation / amortisation expense (note 4(a))	(6,275)	(2,334)	-	(8,609)
Carrying amount at 30 June 2005	180,703	7,244	224,929	412,876

Note 10. Non-current assets - Intangible assets

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Intangible lease right	178,912	178,912	178,912	178,912
Less: Accumulated amortisation	(12,771)	(11,007)	(12,771)	(11,007)
	166,141	167,905	166,141	167,905
Master plan deferred expense	849	232	589	148
Less: Accumulated amortisation	(630)	(54)	(452)	(37)
	219	178	137	111
Borrowing costs	13,488	13,351	12,789	12,789
Less: Accumulated amortisation	(5,347)	(3,885)	(5,275)	(3,885)
	8,141	9,466	7,514	8,904
Capitalised establishment expenses	35,920	35,920	35,465	35,465
Less: Accumulated amortisation	(9,475)	(9,187)	(9,059)	(8,771)
	26,445	26,733	26,406	26,694
	200,946	204,282	200,198	203,614

notes to financial statements

Note 11. Non-current assets - Other

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Loans to tenants	438	-	438	-
	438	-	438	-

Note 12. Current liabilities - Payables

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Trade creditors	19,190	12,956	19,190	12,956
Other payables	9,126	3,434	1,846	3,434
	28,316	16,390	21,036	16,390

Note 13. Current liabilities - Interest bearing liabilities

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Secured				
Lease liability (note 25)	86	87	86	87
	86	87	86	87

Details of the security relating to the lease liability is set out in note 16.

Note 14. Current liabilities - Provisions

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Provisions - annual leave	532	466	-	-
Provisions - long service leave	404	168	-	-
	936	634	-	-

Note 15. Current liabilities - Other

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Unsecured				
Contract termination payable (note 1(e))	-	680	-	-
Retentions and deposits	1,089	3,214	457	302
	1,089	3,894	457	302

Note 16. Non-current liabilities - Interest bearing liabilities

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Secured					
Medium term notes	(a)	264,000	264,000	-	-
Construction facility	(b)	194,992	46,825	-	-
Working Capital Facility	(c)	2,000	2,000	-	-
Lease liability (note 24)	(d)	50	36	50	36
Land Transport Notes	(e)	204,837	-	204,837	-
Macquarie Bank Ltd Loan (note 1(x))	(f)	(204,837)	-	(204,837)	-
Deposit from related entity	(g)	25,157	-	-	-
Prepaid capital work in progress to controlled entity (note 8)	(g)	(25,157)	-	-	-
Total secured non-current interest bearing liabilities		**461,042**	**312,861**	**50**	**36**
Unsecured					
Airport loan notes	(h)	-	-	188,563	188,563
Redeemable preference shares	(i)	188,563	188,563	-	-
Payable to other controlled entities		-	-	466,347	289,488
Total unsecured non-current interest bearing liabilities		188,563	188,563	654,910	478,051
Total non-current interest bearing liabilities		649,605	501,424	654,960	478,087
Secured liabilities					
Total secured liabilities (current and non-current) are:					
Medium term notes	(a)	264,000	264,000	-	-
New terminal construction facility	(b)	194,992	46,825	-	-
Working Capital Facility	(c)	2,000	2,000	-	-
Lease liability (note 24)	(d)	136	123	136	123
Land Transport Notes	(e)	204,837	-	204,837	
Macquarie Bank Ltd Loan (Note 1(x))	(f)	(204,837)	-	(204,837)	-
Deposit from related entity	(g)	25,157	-	-	-
Prepaid capital work in progress to controlled entity (note 8)	(g)	(25,157)	-	-	-
Total secured interest bearing liabilities		461,129	312,948	136	123

Note 16. Non-current liabilities - Interest bearing liabilities (continued)

(a) The Medium Term Notes (MTN's) are a secured credit-wrapped Australian capital markets issue. The joint arrangers and lead managers of the issue were Australian and New Zealand Banking Group Limited and Westpac Banking Corporation. The MTN's are issued in registered form with a AAA credit rating with the benefit of credit enhancement in the form of a financial guarantee from MBIA Insurance Corporation. The proceeds from the 15 December 2000 issue ($240 million) were used to refinance existing senior bank debt and provide additional working capital. A further issue of $24 million was made 9 April 2003 the proceeds of which were used to fund the buy back of the subordinated floating rate notes and are fungible, and form a single series, with the $240 million issue. Interest is payable quarterly based on the 90 day BBSW bank bill rate plus a margin of 0.49%. Interest rate swap facilities have been used to effectively fix the interest rate paid as set out in note 23. The MTN's are secured by a charge over the entire assets and undertakings of the economic entity.

(b) The construction facility is a syndicated bank loan for a term of 5 years. Interest is capitalised during the New Terminal construction period. The facility is secured by a charge over the entire assets and undertakings of the economic entity

(c) The working capital facility is secured by a charge over the entire assets and undertakings of the economic entity.

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

(e) Land Transport Notes -$228.82 million facility is pursuant to a Land Transport Facilities Borrowing Agreement with the Commonwealth of Australia and associated agreements. The note holders qualify for an income tax rebate on interest received. The facility was drawn to $205.744 million as at 30 June 2005.

(f) Set-off of Assets and Liabilities - a legal right of set-off exists in respect $204.837 million, representing a loan payable by Macquarie Bank Ltd (MBL) against the redemption of the Land Transport notes.

(g) These sums, pursuant to the Land Transport Facilities Borrowing Agreement and associated Loan Facilitation and Deposit Agreements, are the consequence of timing differences in the draw downs between the construction facility from the project banks and the facilitation loan from MBL. A legal right of set off exists in respect of these amounts.

(h) The Company has issued securities comprising of a $99 loan note totalling $188.563 million. The rights to the loan notes are subordinated to all other creditors and distributions to security holders may comprise interest paid on the loan notes and repayment of loan note principal. Under the terms of the Loan Note Deed Poll, the principal of the loan notes is to be repaid at predetermined rates beginning in 2033 with full maturity by 2048. The interest rate payable on the loan notes is 15% as set out in the Loan Note Deed Poll; however the payment of interest is subject to sufficient cash being available to make payment. If the cash is not available, having regard to prudent discretion the directors can reduce the interest rate for the payment period. If interest is not paid in the relevant payment period because there is insufficient net cash available, it is permanently foregone under the terms of the Loan Note Deed Poll. The Airport Loan Notes, previously issued to the shareholders of Adelaide Airport Limited and stapled to the ordinary shares, were unstapled and sold by the holders to New Terminal Construction Company Pty Ltd on 18 June 2005.

(i) The Redeemable Preference Shares (RPS) have been issued by New Terminal Construction Company Pty Ltd (NTC) 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 NTC by the Company on the Airport Loan Notes.

Note 16. Non-current liabilities - Interest bearing liabilities (continued)

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Standby arrangements and credit facilities				
Unrestricted access was available at balance date to the following lines of credit:				
Bank loan facilities				
Working capital facility provided by Bank SA	20,000	20,000	-	-
Used at balance date	2,000	2,000	-	-
Unused at balance date	18,000	18,000	-	-
Construction facility provided by a syndicate headed by Australia and New Zealand Banking Group Ltd	260,000	260,000	-	-
Used at balance date	194,992	46,825	-	-
Unused at balance date	65,008	213,175	-	-
Total facilities	280,000	280,000	-	-
Used at balance date	196,992	48,825	-	-
Unused at balance date	83,008	231,175	-	-

Note 17. Non-current liabilities - Provisions

Provisions - long service leave	61	132	-	-
	61	132	-	-

Note 18. Contributed equity

	Parent entity		Parent entity	
	2005	2004	2005	2004
	Shares	Shares	$'000	$'000
Issued and paid up capital	1,904,676	1,904,676	1,905	1,905
	1,904,676	1,904,676	1,905	1,905

Note 19. Reserves and accumulated losses

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
(a) Reserves				
Asset revaluation reserve	53,954	53,954	51,925	51,925
	53,954	53,954	51,925	51,925
(b) Accumulated losses				
Balance 1 July 2004	(33,680)	(37,160)	(38,290)	(39,983)
Profit/(Loss) - current year	(3,455)	3,480	(5,593)	1,693
Balance 30 June 2005	(37,135)	(33,680)	(43,883)	(38,290)

(c) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 9. The transitional provisions of AASB 1041, (Revaluation of Non-current Assets) have been applied to those assets previously revalued which are now deemed to be carried at cost. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

Note 20. Financial instruments

(a) Off-balance sheet derivative instruments

Adelaide Airport Limited and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rate.

Interest rate swap contracts

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 the majority 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. The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Swaps currently in place cover approximately 103% (2004 - 97%) of the loan principal outstanding. The average fixed interest rate is 6.46% (2004 - 6.76%) and the variable rates are based on the 90-day BBSY (bid) bank bill rate.

At 30 June 2005, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2005	2004
	$'000	$'000
1 - 3 years	250,242	61,847
4 - 5 years	43,900	60,000
over 5 years	180,000	180,000
	474,142	301,847

(b) Credit risk exposures

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 statement of financial position 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 large Australian banks.

(c) Interest rate risk exposures

The consolidated entity has entered into:

(i) A $240 million interest rate swap that swaps the consolidated entity's medium term note floating rate borrowings into fixed rates. $60 million matures on 31 December 2007 and the maturity of $180 million will coincide with the maturity of debt facilities in 2010. The contract involves quarterly payments and receipts of the net amount of interest. The weighted average fixed rate on the swap at 30 June 2005 is 6.697% and the floating rates are at prevailing 90 day BBSW market rates.

(ii) A $258 million interest rate swap that swaps the consolidated entity's construction facility floating rate borrowings into fixed rates. The swap commenced at a notional principal of $11.7 million on 20 November 2003 and increases on a monthly basis in line with predicted draw downs on the construction facility. As at 30 June 2005 the notional principal was $234.1million. The swap matures on 20 December 2005. The contract involves monthly payments and receipts of the net amount of interest. The weighted average fixed rate on the swap at 30 June 2005 is 6.22% and the floating rates are at prevailing one month BBID market rates.

(iii) A $163 million interest rate swap that swaps a portion of the consolidated entity's construction facility floating rate borrowings into fixed rates in accordance with the consolidated entity's interest hedge policy. The swap commences on 20 December 2005 and the notional amount varies over the term of the swap from a maximum of $213 million to a minimum of $148 million. The swap matures on 20 December 2010. The contract involves quarterly payments and receipts of the net amount of interest. The weighted average fixed rate on the swap is 6.44% and the floating rates will be at the prevailing 90 day BBSY (BID) market rates.

Note 20. Financial instruments (continued)

					Fixed interest maturing in			
		Notes	Weighted average interest rate %	Floating interest rate $'000	Over 1 year to 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
2005								
Financial assets								
Cash and deposits		6	5.33%	23,695	-	-	-	23,695
Reserve deposits		6	5.25%	31,149	-	-	-	31,149
Receivables		7	-	-	-	-	5,928	5,928
Macquarie Bank Ltd Loan		16	6.89%	-	204,837	-	-	204,837
				54,844	204,837	-	5,928	265,609
Financial liabilities								
Trade and other creditors		12	-	-	-	-	28,316	28,316
Retentions, deposits and contract termination payable		15	-	-	-	-	1,089	1,089
Medium term notes		16	6.03%	264,000	-	-	-	264,000
Working capital facility	(i)	16	6.22%	2,000	-	-	-	2,000
Construction facility	(ii)	16	6.37%	194,992	-	-	-	194,992
Redeemable preference shares	(iii)	16	15.00%	-	-	188,563	-	188,563
Land Transport Notes		16	5.51%	-	204,837	-	-	204,837
Lease liabilities		13,16,24	7.56%	86	50	-	-	136
Interest rate swaps		20(a)	6.46%	(474,142)	294,142	180,000		-
				(13,064)	499,029	368,563	29,405	883,933
Net financial assets/(liabilities)				67,908	(294,192)	(368,563)	(23,477)	(618,324)
2004								
Financial assets								
Cash and deposits		6	4.82%	15,521	-	-	-	15,521
Reserve deposits		6	4.40%	31,668	-	-	-	31,668
Receivables		7	-	-	-	-	5,442	5,442
				47,189	-	-	5,442	52,631
Financial liabilities								
Trade and other creditors		12	-	-	-	-	16,390	16,390
Retentions, deposits and contract termination payable		15	-	-	-	-	3,894	3,894
Medium term notes		16	5.68%	264,000	-	-	-	264,000
Working capital facility	(i)	16	5.75%	2,000	-	-	-	2,000
Construction facility	(ii)	16	6.48%	46,825	-	-	-	46,825
Redeemable preference shares	(iii)	16	15.00%	-	-	188,563	-	188,563
Lease liabilities		13,16,24	7.56%	87	36	-	-	123
Interest rate swaps		20(a)	6.76%	(301,847)	121,847	180,000	-	-
				11,065	121,883	368,563	20,284	521,795
Net financial assets/(liabilities)				36,124	(121,883)	(368,563)	(14,842)	(469,164)

Footnotes

(i) In addition a facility fee of 0.25% is also charged.

(ii) In addition a commitment fee on the undrawn facility of 40% of the margin applicable on each interest payment date is also charged.

(iii) Dividends are payable on redeemable preference shares at the rate of 15%. They are non-cumulative and subject to the receipt of distributions to New Terminal Construction Company Pty Ltd from Adelaide Airport Ltd.

d) Net fair value of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their fair values.

Note 21. Remuneration of directors

	Directors of entities in the consolidated entity		Directors of parent entity	
	2005	2004	2005	2004
	$	$	$	$
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities				
Directors' fees/remuneration	931,174	603,993	931,174	603,993

The total of all income paid or payable referred to above, directly or indirectly, from the respective entities of which they are a director, or from any related party, to all the directors of each entity in the economic entity.

Directors' remuneration 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.

The number of directors of the parent entity who were paid, or were due to be paid, income (including brokerage, commission, bonuses, and salaries directly or indirectly from the company or any related party, as shown in the following bands, were:

$		$	2005	2004
0	-	9,999	1	3
40,000	-	49,999	2	1
50,000	-	59,999	1	2
60,000	-	69,999	3	1
90,000	-	99,999	-	1
280,000	-	289,999	1	-
300,000	-	309,999	-	1
380,000	-	389,999	1	-

Note 22. Remuneration of auditors

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$	$	$	$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:	102,818	74,465	102,818	74,465
Other advisory services	-	9,600	-	9,600
	102,818	84,065	102,818	84,065

Note 23. Contingent liabilities

As required by the consolidated entity'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.

Note 24. Commitments for expenditure

As required by the Company's agreement with the Commonwealth of Australia, it is committed to a minimum level of development expenditure for the first and second five years of operation in respect of the Adelaide airport site. This commitment has been completely met through the expenditure during 2003/04 financial year on the New Terminal project. The Company is still committed to substantial expenditure to complete the New Terminal.

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Capital commitments				
Total capital expenditure commitment at balance date but not recognised in the financial statements:				
Within one year	52,381	155,684	52,381	155,684
Later than one year but not later than 5 years	-	30,620	-	30,620
	52,381	186,304	52,381	186,304
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	60	93	60	93
Later than one year but not later than 5 years	94	62	94	81
Minimum lease payments	154	155	154	155
Less: Future finance charges	(18)	(32)	(18)	(32)
Recognised as a liability	136	123	136	123
Total lease liabilities (Note 16)	136	123	136	123
Representing lease liabilities				
Current (Note 13)	86	87	86	87
Non-current (Note 16)	50	36	50	36
	136	123	136	123
Operating leases				
Commitments in relation to operating leases are payable as follows:				
Within one year	212	143	212	142
Later than one year but not later than 5 years	317	184	317	184
Commitments not recognised in the financial statements	529	327	529	326

Note 25. Employee entitlements

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Employee entitlement liabilities				
Provision for employee entitlements -current (note 14)	936	634	-	-
Provision for employee entitlements - non-current (note 17)	61	132	-	-
Aggregate employee entitlement liability	997	766	-	-
Employee numbers				
Average number of employees during the financial year	111	98	-	-
As explained in note 1(p) the amounts for long service leave are measured at their present values. The following assumptions were adopted in measuring present values.				
Weighted average rates of increase in annual employee entitlements to settlement of liabilities	6.13%	3.0%	-	-
Weighted average discount rates	5.12%	5.87%	-	-
Weighted average terms to settlement of the liabilities	12 years	12 years	-	-

Note 26. Related parties

(a) Directors

The following persons held the position of director of Adelaide Airport Ltd. at any time during all of the past two financial years, unless otherwise stated:

Phillip Andrew Baker	(Managing Director)
Ann Therese Byrne	resigned 25 August 2004
Perry Bernard Lucas	appointed 30 June 2004
John Robert McDonald	
David Cranston Munt	(Chairman) appointed 30 June 2004
John Arthur Rickus	
Graham McLennan Scott	
James Leonard Tolhurst	Appointed 29 September 2004
John Frederick Ward	
Michael Delaney	(Alternate for John Rickus)
Caroline Elaine Gibson	(Alternate for Graham Scott) appointed 17 December 2003

A director, Mr D C Munt is a partner in the firm of Thomson Playford, Solicitors. Thomson Playford has provided legal services to Adelaide Airport Limited and certain of its controlled entities for several years on normal commercial terms and conditions.

Note 26. Related parties (continued)

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Aggregate amounts of the above transactions with directors of entities in the consolidated entity and their director-related entity				
Legal Fees	782	778	759	778

(b) Transactions with Related Parties in the Wholly Owned Group

The Company entered into the following transactions during the year with related parties in the wholly owned group:

(i) loans were advanced and received on long term intercompany accounts;

(ii) interest was charged on the above loans;

(iii) a subsidiary company employed staff on behalf of the group charging a fee for payroll administration and other associated expenses;

(iv) transactions between Adelaide Airport Limited and its wholly owned entities under the accounting tax sharing agreement described in note 5.

Aggregate amounts included in the determination of the profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group:

	Parent entity 2005 $'000	Parent entity 2004 $'000
Interest expense	25,224	15,355
Payroll preparation fee	58	80
Deferred expense - contract termination settlement	680	2,725

Amounts due to and receivable from related parties in the wholly owned group are disclosed in the respective notes to the financial statements. All transactions with related parties within the wholly owned group are undertaken on commercial terms and conditions.

Note 27. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding 2005 %	Equity holding 2004 %	Cost of parent entity's investment 2005 $	Cost of parent entity's investment 2004 $
Adelaide Airport Management Limited	Australia	Ordinary	100	100	5	5
Parafield Airport Limited	Australia	Ordinary	100	100	5	5
New Terminal Financing Company Pty Ltd	Australia	Ordinary	100	100	2	2
New Terminal Construction Company Pty Ltd	Australia	Ordinary	100	100	2	2
					14	14

Note 28. Reconciliation of loss from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Profit/(Loss) from ordinary activities after income tax	(3,455)	3,480	(5,593)	1,693
Depreciation and amortisation of property plant and equipment	9,318	9,287	7,400	8,596
Amortisation of intangible assets	2,146	2,149	3,315	2,132
Amortisation of borrowing costs	1,462	1,392	1,389	1,392
Write-off on disposal of non-current assets	8	597	8	597
Tax losses transferred to related entity	-	-	(1,262)	(1,073)
Capitalised borrowing costs	(8,290)	(6,390)	(8,290)	(5,828)
Decrease (increase) in trade debtors and accrued income	1,371	(3,081)	1,395	(3,048)
Decrease (increase) in prepayments	(82)	(18)	(83)	(18)
Increase (decrease) in trade creditors	1,346	5,222	(448)	2,310
Increase (decrease) in other provisions	225	159	(6)	6
Net cash inflow from operating activities	4,049	12,797	12,175	6,759

Note 29. 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 requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321 and 01/1087) issued by the Australian Securities & Investments Commission.

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 statement of financial performance for the year ended 30 June 2005 of the Closed Group consisting of Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

Note 29. Deed of Cross Guarantee (continued)

	Parent entity	
	2005	2004
	$'000	$'000
Revenue from ordinary activities	70,422	64,809
Employee benefits expense	(7,213)	(5,989)
Depreciation and amortisation expenses	(11,464)	(11,436)
Services & utilities	(10,909)	(9,572)
Consultants & advisors	(2,573)	(5,184)
General administration	(3,649)	(3,090)
Leasing & maintenance	(1,785)	(1,795)
Borrowing costs expense	(37,826)	(24,830)
Carrying amount of non-current assets sold	(14)	(597)
Profit/(loss) from ordinary activities before income tax expense	**(5,011)**	**2,316**
Income tax benefit/(expense) attributable to operating loss	460	349
Profit/(loss) from ordinary activities after income tax expense	**(4,551)**	**2,665**
Net increment (decrement) in asset revaluation reserve	-	-
Total revenue, expenses and valuation adjustments attributable to members of Adelaide Airport Limited recognised directly in equity	-	-
Total changes in equity other than those resulting from transactions with owners as owners	**(4,551)**	**2,665**

Set out below is a summary of movements in consolidated accumulated losses for the year ended 30 June 2005 of the Closed Group consisting of Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

Accumulated losses at the beginning of the financial year	**(36,169)**	**(38,834)**
Profit/(loss) from ordinary activities after income tax expense	(4,551)	2,665
Accumulated losses at the end of the financial year	**(40,720)**	**(36,169)**

notes to financial statements

Note 29. Deed of Cross Guarantee (continued)

Set out below is a consolidated statement of financial position as at 30 June 2005 of the Closed Group consisting of Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

	Parent entity	
	2005	2004
	$'000	$'000
Current assets		
Cash assets	24,327	18,432
Receivables	5,928	5,442
Other	28,066	2,842
Total current assets	58,321	26,716
Non-current assets		
Property, plant and equipment	433,617	284,872
Intangible assets	200,946	204,282
Other	438	-
Total non-current assets	635,001	489,154
Total assets	**693,322**	**515,870**
Current liabilities		
Payables	28,316	16,390
Interest bearing liabilities	86	87
Provisions	1,089	3,894
Other	936	634
Total current liabilities	30,427	21,005
Non-current liabilities		
Interest bearing liabilities	647,695	475,043
Provisions	61	132
Other	-	-
Total non-current liabilities	647,756	475,175
Total liabilities	**678,183**	**496,180**
Net assets	**15,139**	**19,690**
Equity		
Contributed equity	1,905	1,905
Reserves	53,954	53,954
Accumulated losses	(40,720)	(36,169)
Total equity	**15,139**	**19,690**

Note 30. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Acquisition of plant and equipment by means of finance leases.	107	20	107	20

directors' declaration

Adelaide Airport Limited Directors' declaration 30 June 2005

The directors declare that the financial statements and notes set out on pages 9 to 38:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; 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 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed off cross guarantee described in note 29.

This declaration is made in accordance with a resolution of the directors.

John Rickus
Director

Phillip Baker
Director

Adelaide 6 October 2005

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

91 King William Street
ADELAIDE SA 5000
GPO Box 418
ADELAIDE SA 5001
DX 77 Adelaide
Australia
www.pwc.com/au
Telephone +61 8 8218 7000
Facsimile +61 8 8218 7999

Independent audit report to the members of Adelaide Airport Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Adelaide Airport Limited (the Company) and the Adelaide Airport Limited Group (defined below) for the financial year ended 30 June 2005 included on Adelaide Airport Limited's web site. The Company's directors are responsible for the integrity of the Adelaide Airport Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report of Adelaide Airport Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Adelaide Airport Limited and the Adelaide Airport Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001."

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Adelaide Airport Limited (the company) and the Adelaide Airport Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

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Independent audit report to the members of Adelaide Airport Limited (continued)

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.G. Steel

PG Steel
Partner

Adelaide
6 October 2005

Chairman

David Munt

Managing Director

Phil Baker

Directors

Perry Lucas

John McDonald

John Rickus

Graham Scott

James Tolhurst

John Ward

Major Bankers

Australia and New Zealand

Banking Group Ltd

Solicitors

Thomson Playford

Corporate Advisors

Ernst & Young

Auditors

PricewaterhouseCoopers

Registered Office

1 James Schofield Drive

Adelaide Airport

South Australia 5950

Phone: +61 8 8308 9211

Fax: +61 8 8308 9311

Email: airport@aal.com.au

Website: www.aal.com.au

Adelaide Airport