ADELAIDE AIRPORT LIMITED
FINANCIAL REPORT 08 - 09

ADELAIDE AIRPORT LIMITED

ACN 075 176 653 ABN 78 075 176 653

CHAIRMAN David Munt **MANAGING DIRECTOR** Phil Baker

DIRECTORS John McDonald, Alan Mulgrew, James Tolhurst, John Ward and Jay Hogan

MAJOR BANKERS Australian and New Zealand Banking Group Ltd

SOLICITORS Thomson Playford Cutlers **AUDITORS** PricewaterhouseCoopers

CORPORATE ADVISORS Ernst & Young

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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Adelaide Airport Limited (AAL) and the entities it controlled at the end of, or during the year ended 30 June 2009.

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:

David Cranston Munt	(Chairman)
Phillip Andrew Baker	(Managing Director)
John Robert McDonald	
Alan Mulgrew	
Graham McLennan Scott	Deceased 24 December 2008
James Leonard Tolhurst	
John Frederick Ward	
James (Jay) Hogan	Appointed 29 July 2009
Nicholas Szuster	(Alternate for Graham Scott) Ceased 24 December 2008
Michael Delaney	(Alternate for John McDonald)

PRINCIPAL ACTIVITIES

The Group acts principally within the airport industry in Australia.

TRADING RESULTS	2009 $'000	2008 $'000
The result for the financial year for the Group was	(4,241)	13,344

DIVIDENDS

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

	2009 $'000	2008 $'000
Ordinary dividend	-	-

No further recommendation is made as to dividends for the 2009 financial year (30 June 2008: $0). Dividends on Redeemable Preference dividends, which are classified as finance costs, amounting to $28.3 million were paid or provided for during the year (30 June 2008: $28.4 million).

REVIEW OF OPERATIONS

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

(a) Aeronautical services

The Global Financial Crisis (GFC) significantly impacted the Australian aviation market in the financial year. Year on year passenger growth at AAL was 2.4% for the year ended 30 June 2009, compared to 7.5% in the previous year, which compares favourably with other Australian Capital City Airports. Regional traffic was particularly impacted by the GFC, falling 12.6% on the prior year. Tiger Airways commenced their second base at AAL in March 2009.

(b) Non-aeronautical services

Property 'Trading' revenue grew by a relatively modest 2.3%, with the turnover related income that AAL collects from its tenants also being impacted by the GFC.

Property revenue increased by 12.4% on the prior year, principally driven by additional tenancies at Harbourtown and Burbridge Business Park. Investment properties were re-valued downwards by $10.039 million for the first time in 3 years, which was a significant contribution to the loss for the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since 30 June 2009 that have significantly affected, or may significantly affect;

a) the Groups operations in future financial years, or
b) the results of those operations in future financial years, or
c) the Groups state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

A terminal precinct design phase is currently underway which, over the next 5 years, will incorporate a new multi storey car park, a second terminal (T2) for regional traffic and a further extension of the existing terminal (T1).

AAL's revised master plan was submitted to the Minister for Infrastructure, Transport, Regional Development and Local Government in September 2009. It is anticipated that ratification will follow in November 2009.

Further information on likely developments in the operations of the Group 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 Group.

ENVIRONMENTAL REGULATION

During the past several years AAL's approach to environmental management has evolved to encapsulate the dimensions of sustainable business practice and less weighted towards regulatory compliance. Substantial research, planning, consultation and review over this period into areas such as sustainable development principles, water conservation, stormwater reuse, energy efficiency, carbon management, waste management, noise and air quality provided the foundation for the Preliminary Draft 2009 Master Plan, and in particular Volume 3 – Sustainability Plan for Adelaide and Parafield Airports.

A cornerstone of the 2009 Master Plan is AAL's Sustainability Policy, signed by Phil Baker in October 2008. As described in the Policy, AAL's corporate vision and ongoing success is founded on building and maintaining the three pillars of responsible business practice – sustainable financial, environmental and social management. To ensure that our business thrives and is managed today in a manner that promises to meet the needs of future generations, AAL must respond positively to today's local and global challenges as outlined in each chapter of the Sustainability Plan.

AAL has met, and in most areas exceeded, its legislative compliance obligations set under the Airports Act 1996 and Airports (Environment Protection) Regulations 1997, monitored by the Department of Infrastructure, Transport, Regional Development and Local Government's (DIT) Airport Environment Officer (AEO). Significant steps were made towards achieving our goals in the areas of greenhouse gas accounting, wildlife hazard management, stormwater harvesting, water security, heritage management and energy efficiency.

AAL has for the third consecutive year measured its carbon footprint and determined it does not exceed the threshold for mandatory greenhouse reporting under the National Greenhouse and Energy Reporting Regulations 2008.

In the past year no actions by AAL operators or tenants have resulted in any Authorisations or Environmental Protection Orders being issued by the AEO. A Directive handed to ExxonMobil by the AEO in relation to localized groundwater contamination has been carried over from the 2007/08FY to the 2008/09FY.

INFORMATION ON DIRECTORS

DIRECTORS

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

David was appointed on 30 June 2004 as a non-executive director and Chairman. David has over 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 immediate past Chairman of Partners of law firm Thomson Playford and Deputy Chairman of Seeley International Pty Ltd.

Special responsibilities

- Chairman Property Development and Building Committee
- Chairman Remuneration Committee

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

Appointed on 24 April 1998 as Managing Director of Adelaide Airport Limited, Phil is also the Chairman of the Adelaide Convention and Tourism Authority. He is a Fellow of the Chartered Institute of Transport and the Australian Institute of Company Directors, a former Business Ambassador for South Australia and former Managing Director of Ringway Handling Services Limited (Manchester Airport – United Kingdom), former Director of the Australian British Chamber of Commerce, former MD and Director Queensland Airports Limited Group and a former Director of the Tourism Task Force Limited. Phil has over forty years of experience in the aviation industry, including airlines and handling agents.

Special Responsibilities

- Member Property Development and Building Committee

DIRECTORS' REPORT

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

John was originally appointed on 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 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. John was appointed Member of the Audit & Compliance Committee on 27 May 2008.

Special responsibilities

- Member Property Development and Building Committee
- Member Audit & Compliance Committee (Appointed 27 May 2008)

ALAN MULGREW, BA, GRAICD, JP, **Director**

Alan was appointed on 6 September 2006 as a non-executive director. Alan has had over thirty years experience as a senior aviation executive both within Australia and overseas, including responsibility for Perth and Sydney Airports. Since leaving Sydney Airport in 1997 Alan has provided strategic advice to numerous major institutions and served as a non-executive board member on a number of high profile boards spanning Aviation, Energy, Construction, Infrastructure and Tourism. Alan is currently a Non-Executive Director of BAC Holdco Pty Ltd, Doric Group Pty Ltd and Chairman of Tesla Cooperative Pty Ltd. He was formerly Chairman of Tourism Western Australia, Chairman of Western Carbon Pty Ltd and a Non-Executive Director of Western Power Corporation. Alan has also served as Chairman or as a member on various Audit Risk Management Committees and as a member of Governance and Remuneration Committees.

Special responsibilities

- Member Property Development and Building Committee

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

Graham was appointed on 24 April 1998 as a non-executive director nominated by Local Super SA-NT. He was a member of the Board of the Local Super SA-NT and Chairman of Unisure 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 24 April 1998 to 30 June 2004.

The Board is saddened to report that Graham passed away on 24 December 2008.

Special responsibilities

- Member Property Development and Building Committee
- Member Audit & Compliance Committee

JAMES TOLHURST, B.Comm, MBA, FCPA, FCIS, FAICD, **Director**

Jim was appointed on 29 September 2004 as a non-executive director nominated by UniSuper Ltd. Jim is currently the Chair of the Queensland Airports Ltd group of companies, a director of Leichhardt Coal Pty Ltd and Blair Athol Coal Pty Ltd, and is a Council Member of Central Queensland University. Jim has had over forty years of experience in accounting and administration.

Special responsibilities

- Chairman Audit & Compliance Committee (Appointed 27 May 2008)
- Member Property Development and Building Committee
- Member Remuneration Committee

JOHN WARD, BSc, FAICD, FAIM, FAMI, FCILT, **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 2001. Prior to joining News Corporation in 1994 he was Managing Director and Chief Executive of Qantas Airways Limited culminating a 25-year career with the airline in a variety of corporate and line management roles covering Australia, Asia, Europe and North America. He is an Honorary Life Governor of the Research Foundation of Information Technology, Chairman of Wolseley Private Equity and Interim Chairman of Brisbane Airport Corporation Holdings.

Special responsibilities

- Member Property Development and Building Committee
- Member Remuneration Committee
- Member Audit Committee

JAMES (JAY) BRENDAN HOGAN, MBA, AFAMI, JP, **Director**

Jay was appointed on 29 July 2009 as a non-executive director nominated by Local Super. Jay has over 35 years experience in the property development industry around Australia and overseas across a broad range of property asset classes.

Jay is currently Chairman of Urban Construct Pty Ltd, Bremerton Vintners Pty Ltd and Sevenhill Wines. He currently has personal interests in property development, wine and tourism ventures. He was previously Chairman of the Land Management Corporation in South Australia from 1996 to 2004, Chairman of the South Australian Housing Trust Board, Chairman of the Torrens Catchment Water Board, Deputy Chairman of Homestart Finance Board and Past President of the Urban Development Institute of Australia.

In 1998 he was awarded Life Membership of the Urban Development Institute of Australia in recognition of his contribution and services to the development industry.

Special Responsibilities

- Member Property Development and Building Committee

ALTERNATE DIRECTORS

MICHAEL DELANEY, BA, **Alternate Director**

Michael was appointed on 15 December 1999 as alternate for a predecessor director, and subsequently was appointed the alternate for John McDonald on 21 May 2008. He has been the Principal Executive Officer and Secretary of the MTAA Superannuation Fund since its inception in 1989. 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. Michael is a Member of Council of the Australian National University as well as Chairman of the ANU's Finance Committee.

NIC SZUSTER, BA, **Alternate Director**

Nic was appointed on 28 August 2007 as an alternate director for Graham Scott. Nic is the Chief Executive of Local Super. Local Super is the superannuation fund covering local government employees in South Australia and Northern Territory. Prior to joining Local Super, Nic was a Principal with Mercer Human Resource Consulting from 1986 to 2005 specialising in superannuation administration, consulting and actuarial services. Nic's appointment ceased on the death of Graham Scott (24 December 2008).

COMPANY SECRETARIES

LEN GOFF, FPNA, GRAICD

Len was appointed Company Secretary on 29 March 1999. Len has had 22 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 nearly 30 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

Directors' Meetings		Meetings of committees		
	Full meetings of directors	Audit and Compliance Committee	Remuneration Committee	Building & Property Development Committee
Meetings held	**11**	**4**	**2**	**10**
Director				
Phillip Baker	11	*	*	10
John McDonald	11	4	*	10
Alan Mulgrew	10 [11]	*	*	9 [10]
David Munt	11	*	2	10
Graham Scott	1 [6]	0 [2]	*	1 [5]
James Tolhurst	10 [11]	4	2	10
John Ward	11	1 [1]	2	10
Jay Hogan	- [-]	*	*	- [-]
Alternate Directors				
Michael Delaney	- [-]	*	*	- [-]
Nic Szuster	2 [5]	*	*	2 [4]

*denotes not a member

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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, 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:

Jim Tolhurst, Director

Phillip Baker, Director

Adelaide, 30 September 2009

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Airport Limited for the year ended 30 June 2009, 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.

AG Forman
PricewaterhouseCoopers

30 September 2009

FINANCIAL REPORT - 30 JUNE 2009

This financial report covers both the separate financial statements of Adelaide Airport Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Adelaide Airport Limited and its subsidiaries. The financial report is presented in the Australian currency.

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

Adelaide Airport Limited
1 James Schofield Drive, Adelaide Airport, South Australia 5950

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations in the directors' report which does not form part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2009.

FINANCIAL STATEMENTS

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Revenue from continuing operations	4	143,687	140,503	137,448	152,315
Other income	5	2,544	647	863	647
Increments/(decrements) in fair value of investment properties	14	(10,039)	21,100	(6,900)	16,412
Employee benefits expense		(10,431)	(10,040)	(10,165)	(9,576)
Depreciation and amortisation expenses	6	(17,780)	(18,008)	(17,595)	(17,837)
Services & utilities		(29,700)	(26,526)	(28,698)	(25,656)
Consultants & advisors		(4,822)	(3,795)	(4,596)	(3,606)
General administration		(6,253)	(6,464)	(6,153)	(6,449)
Leasing & maintenance		(4,061)	(4,640)	(3,861)	(4,393)
Finance costs	6	(65,908)	(67,185)	(69,944)	(79,414)
Profit/(Loss) on disposal of property, plant and equipment		(40)	87	(43)	87
Impairment of property, plant and equipment	12	(1,483)	(7)	-	-
Profit/(Loss) before income tax expense		**(4,286)**	**25,672**	**(9,644)**	**22,530**
Income tax (expense)/benefit	8	45	(12,328)	1,652	(4,737)
Profit/(Loss) attributable to equity holders of Adelaide Airport Ltd		**(4,241)**	**13,344**	**(7,992)**	**17,793**

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

FINANCIAL STATEMENTS

BALANCE SHEETS AS AT 30 JUNE 2009

		Consolidated		Parent entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	9	49,426	51,588	36,734	39,557
Trade Receivables	10	8,271	7,810	8,271	7,810
Other Receivables	11	7,670	4,998	7,620	4,883
Total current assets		65,367	64,396	52,625	52,250
Non current assets					
Receivables	17	423	423	7,939	9,396
Property, plant and equipment	12	286,490	297,715	286,490	297,715
Prepaid operating leases	13	124,318	125,774	124,318	125,774
Investment property	14	210,519	214,039	183,853	184,242
Intangible assets	16	183,943	184,113	179,410	179,410
Derivative financial instruments	18	-	24,804	-	-
Total non current assets		805,693	846,868	782,010	796,537
Total assets		**871,060**	**911,264**	**834,635**	**848,787**
Current liabilities					
Trade and Other Payables	19	15,601	19,711	12,808	16,565
Borrowings	20	971	808	971	808
Current tax liabilities		-	4,967	-	4,967
Provisions	21	1,478	1,261	-	-
Other	22	541	415	541	415
Total current liabilities		**18,591**	**27,162**	**14,320**	**22,755**
Non current liabilities					
Borrowings	23	711,753	710,600	721,875	717,352
Deferred tax liabilities	24	76,956	91,098	75,380	76,617
Provisions	25	480	655	-	-
Derivative financial instruments	18	13,822	-	-	-
Other	26	1,955	2,966	1,955	2,966
Total non current liabilities		804,966	805,319	799,210	796,935
Total liabilities		**823,557**	**832,481**	**813,530**	**819,690**
Net assets		**47,503**	**78,783**	**21,105**	**29,097**
Equity					
Contributed equity	27	1,905	1,905	1,905	1,905
Reserves	28(a)	(7,981)	19,058	1,695	1,695
Retained profits	28(b)	53,579	57,820	17,505	25,497
Total equity		**47,503**	**78,783**	**21,105**	**29,097**
Equity and stapled securities					
Total equity		47,503	78,783	21,105	29,097
Redeemable Preference Shares	23	188,216	188,146	-	-
Total equity		**235,719**	**266,929**	**21,105**	**29,097**

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Total equity at the beginning of the financial-year		**78,783**	**53,348**	**29,097**	**12,099**
Asset Revaluation Reserve reclassification of investment assets to operating assets		-	1,694	-	1,695
Change in market value of cash flow hedges, net of tax	18	(27,039)	10,397	-	-
Transfer of cash flow hedge from AAL to NTF		-	-	-	(2,490)
Profit/(Loss) for the financial-year		(4,241)	13,344	(7,992)	17,793
Total recognised income and expense for the financial year		**(31,280)**	**25,435**	**(7,992)**	**16,998**
Dividends provided for or paid	29	-	-	-	-
Total equity at the end of the financial year		**47,503**	**78,783**	**21,105**	**29,097**

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		145,733	150,073	144,306	134,352
Payments to suppliers and employees (inclusive of GST)		(64,272)	(66,652)	(67,836)	(54,481)
Interest received		5,465	6,660	2,791	3,372
Interest and other borrowing costs paid		(37,159)	(36,683)	(69,712)	(79,565)
RPS Dividend		(28,284)	(28,362)	-	-
Income Taxes Paid		(8,056)	(5,132)	(8,056)	(5,132)
Net cash inflow/(outflow) from operating activities	**37**	**13,427**	**19,904**	**1,493**	**(1,454)**
Cash flows from investing activities					
Payments for property, plant and equipment and Investment properties		(14,821)	(5,910)	(13,315)	(5,852)
Proceeds from sale of property, plant and equipment		33	945	29	945
Net cash outflow from investing activities		**(14,788)**	**(4,965)**	**(13,285)**	**(4,907)**
Cash flows from financing activities					
Proceeds from borrowings		-	943	9,770	943
(Loans to)/repayments made by tenants		8	7	8	7
Repayment of borrowings		(809)	(579)	(809)	(579)
Loans from controlled entities		-	-	-	523
Dividends from controlled entities		-	-	-	20,000
Net cash inflow from financing activities		**(801)**	**371**	**8,969**	**20,894**
Net decrease in cash held		(2,162)	15,310	(2,823)	14,532
Cash at the beginning of the financial year		51,588	36,278	39,557	25,025
Cash at the end of the financial year	**9**	**49,426**	**51,588**	**36,734**	**39,557**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented unless otherwise stated. This financial report covers both the separate financial statements of Adelaide Airport Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Adelaide Airport Limited and its subsidiaries. The financial report is presented in Australian currency.

(a) Basis of preparation

This general purpose financial report for the reporting period ended 30 June 2009 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group and interpretations and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Adelaide Airport Ltd comply with IFRS.

Historical cost convention

These financial statements have been prepared under historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment properties under the fair value accounting model.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adelaide Airport Limited ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Adelaide Airport Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note (g)).

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of Adelaide Airport Ltd.

(c) Revenue recognition

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

(i) Aeronautical revenues

Aeronautical revenues comprise landing fees based on the maximum take off weight (MTOW) or aircraft or passenger numbers (as elected by airline customers); passenger facilitation charges (PFC) based on passenger numbers and a recovery of Government mandated security charges on a per passenger basis. Income is recognised in the period in which passengers and aircraft physically arrive at the airport.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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

(iii) Public car parks
Public car park income is recognised when received from customers.

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

(v) Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

(d) Government Grants

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

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

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

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation
Adelaide Airport Limited and its wholly-owned entities implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Adelaide Airport Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Adelaide Airport Limited also recognises the current tax liabilities arising under tax funding agreements with the tax consolidated entities which are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(f) Leases

(i) Pre-paid operating leases
The Group leases airport land from the Commonwealth of Australia under a 99 year lease. No annual payments are made under the lease arrangement. At inception, the cost of acquiring the lease was allocated between land used for operating activities and investment property.

The portion relating to land used for operating activities is classified as a prepaid operating lease. That lease is amortised over the length of the lease term. The balance of the leased land classified as investment property is accounted for in accordance with note (p). Where land is reclassified from operating to investment property it is revalued and transferred out at fair value.

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

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

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

(g) Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill (refer to note q(i)). If the cost of acquisition is less than the fair value of the identifiable net assets acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

(k) Other financial assets

Tenant Loans
Tenant loans have arisen where the Group have funded capital expenditure projects on behalf of tenants. The related receivables are included in "current or non-current assets – other" in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has in place cash flow hedges against interest rate fluctuations for portions of its non-current loans in accordance with the Group's hedging policy.

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

The fair values of cash flow hedge derivative financial instruments used are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 28. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

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

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

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

(m) Fair value estimation

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

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

(n) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably.

Tenant Contributions

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

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost 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
Owner Occupied Buildings	25 yrs	straight line
Leasehold Improvements (including runways, taxiways and aprons)	8 yrs - balance of lease term	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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

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

Maintenance and repairs

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

(o) 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.

(p) Investment property

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

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

(q) Intangible assets

(i) Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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

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

Redeemable Preference Shares (note x) are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance costs.

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

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

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

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

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

(v) 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 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.

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

(w) Contributed equity
Ordinary shares are classified as equity.

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

(x) Redeemable Preference Shares
New Terminal Construction Company Pty. Limited ("NTCC") has issued $188.6 million Redeemable Preference Shares ("RPS") with a face value of $99 each to the shareholders of Adelaide Airport Limited which are redeemable for $100 (including a $1 premium) 10 years after their issue being 18 June 2014. Each RPS is stapled to an ordinary share in Adelaide Airport Limited.

The Airport Loan Notes ("ALN"), previously issued to the shareholders of Adelaide Airport Limited ("AAL"), were unstapled and sold by the holders to NTCC on 18 June 2004. Interest payable on the ALN's, by AAL to NTCC, is subject to there being distributable cash calculated in accordance with the terms of the Loan Note Deed Poll.

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

The RPS are classified in the balance sheet as non-current liabilities, because they are a debt instrument. However, because they are stapled to the ordinary shares in AAL, the balance sheets also disclose the combined amount of equity and RPS.

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.

(y) Land Transport Notes

Land Transport Notes (LTNs) are issued by the Group with a fixed coupon rate, the interest being non-deductible for tax purposes. The interest income in the hands of investors has an Infrastructure Borrowings Tax Offset (IBTO) attached to the benefit of the investor. A proportion of that benefit is returned to the Group 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 Group as it is reflected in the conversion of "A" Class LTNs to "B" Class LTNs. The term of the "A" Class LTNs was 5 years expiring in October 2008. 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 receivable and the LTNs are considered to meet legal and accounting requirements of being set-off against each other and no asset or liability in respect of the loans or LTNs has been recorded in the balance sheet of the consolidated entity.

(z) Rounding of amounts
The company is of a kind referred to in Class Order 98/100, 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.

(aa) Operating Segments
The Group early adopted AASB 8 Operating Segments in the 2007 annual accounts.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(ab) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)*

The revised AASB 123 is applicable to annual accounts reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalizes borrowing costs relating to qualifying assets.

(ii) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognized in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iii) *Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Ammendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)*

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This will be a change to the Group's current policy.

The Group will apply the revised standards prospectively to all business combinations and transaction with non-controlling interests from 1 July 2009.

(iv) *AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)*

AASB 2008-8 amends AASB 130 Financial Instrument: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

NOTE 2. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of -

- Receivables
- Payables
- Medium Term Loan Notes
- Non - Cumulative Preference Shares
- Land Transport Notes
- Finance Leases
- Cash
- Bank Bills
- Derivatives

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program contemplates the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering and specific areas, such as mitigating interest rate risk, use of derivative financial instruments and investing excess liquidity.

The primary responsibility for identification and control of financial risks rest with the Audit and Compliance Committee (ACC). The ACC has oversight of the effectiveness of the Risk Management Program in relation to achieving its corporate governance objectives via the Risk Management Committee (RMC). The RMC is responsible for ensuring that the program is constantly monitored in respect to currency, relevance and level of implementation. The RMC ensures that adequate reporting is in place in regard to the effectiveness of the risk management programme. The RMC members consist of representatives from Senior Management from all business units, including the Managing Director, CFO and Company Secretary.

(b) Market risk

Interest Rate Risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The level of debt is disclosed in note 23.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally the Group raises long-term borrowings at floating rates and swaps them into fixed rates directly. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. Certain borrowings of the consolidated entity are subject to interest rate payments which are calculated by reference to variable bank bill reference rates. It is a Board policy to protect not less than 75% of debt from exposure to increasing interest rates throughout the life of the debt facilities.

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 exposure on the swaps is monitored through quarterly management reports issued to the Board and Managing Director.

The Group has substantial cash deposits required under financing covenants which are deposited on call or short term at variable rates which also act as a natural hedge to a portion of the long term borrowings.

At Balance date 30 June 2009, the Group had the following financial liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

RECONCILIATION OF EXPOSURE

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total Borrowings at Face Value	529,000	529,000	-	-
Less Fixed Interest Borrowings	100,000	100,000	-	-
Total Liability	429,000	429,000	-	-
Less Cashflow Hedges	388,000	393,000	-	-
Total Exposure	**41,000**	**36,000**	**-**	**-**

At 30 June 2009 the net fair value of Swaps was a liability of $13.8 million (30 June 2008 an asset of $24.8 million). This amount was deferred in equity as the swaps were considered cashflow hedges. Swaps currently in place cover approximately 90.4% (2008: 91.6%) of the loan principal outstanding. The average fixed interest rate is 6.49% (2008 6.49%) and the variable rates are based on the 90 day BBSY (bid) bank bill rate or 90 day BBSW bank bill rate.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. FINANCIAL RISK MANAGEMENT (CONT)

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date.

At 30 June 2009, if interest rates have moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would be affected as follows:

RECONCILIATION OF EXPOSURE

	Post Tax Profit Higher/(Lower)	Equity Higher/(Lower)	Post Tax Profit Higher/(Lower)	Equity Higher/(Lower)
	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Consolidated				
+1% (100 basis points)	26	14,472	-	-
-1% (100 basis points)	(26)	(15,519)	-	-
+1.5% (150 basis points)	-	-	90	20,832
-1.5% (50 basis points)	-	-	(34)	(7,330)
Parent				
+1% (100 basis points)	343	343	-	-
-1% (100 basis points)	(343)	(343)	-	-
+1.5% (150 basis points)	-	-	563	563
-0.5% (50 basis points)	-	-	(187)	(187)

The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges.

A sensitivity based on +100 basis points (FY08: +150) and -100 basis points (FY08:-50) basis points was undertaken.

(c) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position is the carrying amount, net of any impairment. The Group minimises concentrations of credit risk by undertaking transactions with multiple customers and has policies in place to ensure that sales of services and operating leases of property are made to customers with an appropriate credit history or partially under pinned with some form of credit enhancement. The Group has a material exposure to the major Australian domestic airlines. Interest rate swaps and cash deposits are subject to credit risk in relation to the relevant counterparties which are large Australian banks.

Credit risk is managed on a group basis. Receivable balances are monitored via monthly reports to the Board and the Managing Director on an ongoing basis with the result that the Groups exposure to bad debts (other than that outlined elsewhere in this report) is not significant.

This credit risk exposure remains unchanged from the prior year. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 10.

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain adequate cash reserves supported by committed credit lines. The Group manages liquidity risk by continually monitoring forecast and actual cash flows.

The table to the right reflects the contractual maturity analysis of recognised financial liabilities, including derivative financial instruments and face value of borrowings as at 30 June 2009. The amounts disclosed in the table are the undiscounted cashflows.

	Contracted Cash Inflows/ (Outflows): principal and interest						
2009	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Total
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000	
Trade Creditors	(2,196)	-	-	-	-	-	(2,196)
Finance Leases	(1,090)	(1,158)	(420)	-	-	-	(2,668)
Interest Rate Swaps (net settled)	(11,892)	(9,846)	(6,373)	43	1,661	13,120	(13,287)
Borrowings Interest Payments -							
Fixed	(6,250)	(6,250)	(6,250)	(6,250)	(6,250)	(13,887)	(45,137)
Variable	(14,407)	(11,074)	(6,996)	(7,549)	(8,675)	(21,032)	(69,733)
Borrowings (Face Value)	-	(264,000)	-	-	-	(265,000)	(529,000)
Preference Shares (Face Value)	-	-	-	-	(190,467)	-	(190,467)
Preference Interest Payments (i)	(28,284)	(28,284)	(28,362)	(28,284)	(27,277)	-	(140,491)
Total Contractual Liability Outflow	**(64,119)**	**(320,612)**	**(48,401)**	**(42,040)**	**(231,008)**	**(286,799)**	**(992,979)**

	Contracted Cash Inflows/ (Outflows): principal and interest						
2008	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Total
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000	
Trade Creditors	(3,044)	-	-	-	-	-	(3,044)
Finance Leases	(1,038)	(1,060)	(1,164)	(415)	-	-	(3,677)
Interest Rate Swaps (net settled)	5,586	5,310	4,651	4,535	3,792	7,870	31,744
Land Transport Notes	1,070	-	-	-	-	-	1,070
Borrowings Interest Payments -							
Fixed	(6,250)	(6,250)	(6,250)	(6,250)	(6,250)	(20,137)	(51,387)
Variable	(35,663)	(35,534)	(23,276)	(13,225)	(13,151)	(41,925)	(162,774)
Borrowings (Face Value)	-	-	(264,000)	-	-	(265,000)	(529,000)
Preference Shares (Face Value)	-	-	-	-	-	(190,467)	(190,467)
Preference Interest Payments (i)	(28,284)	(28,284)	(28,284)	(28,362)	(28,284)	(27,277)	(168,775)
Total Contractual Liability Outflow	**(67,623)**	**(65,818)**	**(318,323)**	**(43,717)**	**(43,893)**	**(536,936)**	**(1,076,310)**

NOTE 2. FINANCIAL RISK MANAGEMENT (CONT)

(d) Liquidity Risk (cont)

2009	Contracted Cash Inflows/ (Outflows): principal and interest						
	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Total
Parent	$'000	$'000	$'000	$'000	$'000	$'000	
Trade Creditors	(2,196)	-	-	-	-	-	(2,196)
Finance Leases	(1,090)	(1,158)	(420)	-	-	-	(2,668)
Preference Shares (Face Value)	-	-	-	-	(190,467)	-	(190,467)
Preference Interest Payments (i)	(28,284)	(28,284)	(28,362)	(28,284)	(27,277)	-	(140,491)
Total Contractual Liability Outflow	**(31,570)**	**(29,442)**	**(28,782)**	**(28,284)**	**(217,744)**	**-**	**(335,822)**

2008	Contracted Cash Inflows/ (Outflows): principal and interest						
	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Total
Parent	$'000	$'000	$'000	$'000	$'000	$'000	
Trade Creditors	(3,044)	-	-	-	-	-	(3,044)
Finance Leases	(1,038)	(1,060)	(1,164)	(415)	-	-	(3,677)
Land Transport Notes	(4,212)	-	-	-	-	-	(4,212)
Preference Shares (Face Value)	-	-	-	-	-	(190,505)	(190,505)
Preference Interest Payments (i)	(28,284)	(28,284)	(28,284)	(28,362)	(28,284)	(27,277)	(168,697)
Total Contractual Liability Outflow	**(36,578)**	**(29,344)**	**(29,448)**	**(28,777)**	**(28,284)**	**(217,782)**	**(370,135)**

(i) The interest rate payable on the loan notes is a maximum of 15% as set out in the Loan Note Deed Poll; however the payment of interest is subject to sufficient cash being available to make the payment. 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

(e) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

Unless disclosed below, the carrying amount of the Groups liabilities and assets approximate their fair value

	Consolidated - 2009		Parent - 2009	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Non Current Liabilities				
Non-traded financial liabilities				
Medium term notes 2010	261,993	264,000	-	-
Medium term notes 2016	260,049	265,000	-	-
Redeemable preference shares	188,216	188,563	-	-
Total Liability Fair value	**710,258**	**717,563**	**-**	**-**

	Consolidated - 2008		Parent - 2008	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Non Current Liabilities				
Non-traded financial liabilities				
Medium term notes 2010	258,368	264,000	-	-
Medium term notes 2016	259,368	265,000	-	-
Redeemable preference shares	188,146	188,563	-	-
Total Liability Fair value	**705,882**	**717,563**	**-**	**-**

None of the borrowings are readily traded on organised markets in standardised form. The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Other than those classes of borrowings denoted as "traded", none of the classes are readily traded on organised markets in standardised form.

The financial liabilities disclosed in the above table are the directors estimates of amounts that will be payable by the Group. No material losses are expected and as such, fair values disclosed are the director's estimate of amounts that will by payable by the Group.

(f) Assets Pledged as Security

(i) **The Medium Term Notes 2010 (MTN's 2010**) are a secured credit wrapped Australian capital markets issue. Interest rate swap facilities have been used to effectively fix the interest rate paid as set out in note 18. The MTN's 2010 are secured by a charge over the entire assets and undertakings of the Group.

(ii) **The Medium Term Notes 2016 (MTN's 2016)** are a secured credit wrapped Australian capital markets issue. Interest rate swap facilities have been used to effectively fix the interest rate for the variable portion as set out in note 18. The MTN's 2016 are secured by a charge over the entire assets and undertakings of the Group.

(iii) **The Working Capital Facility** is secured by a charge over the entire assets and undertakings of the Group and is current until December 2010.

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

The Medium Term Notes and Working Capital Facility are secured by a floating charge over the entire assets and undertakings of the Group. AAL must comply with the undertakings as contained in the Security Trust Deed the more significant of which are summarised as follows:

1. Provision of corporate reporting and information reasonably requested by the Financier(s) including provision of an Interest Rate Cover Compliance Certificate
2. Notification of developments greater than $5 million. Notification of any event which is likely to have a material adverse effect on the business.
3. Adequately insure and maintain the secured property. Not allow any other security interest (other than in the normal course of trading) to be granted over the secured property.
4. Comply with cash waterfall provisions that effectively preserves cash for the reasonably foreseeable requirements of the company (including debt service) before payments into the distribution account.
5. Restrict operations to the core business and retain 100% beneficial ownership of all approved subsidiaries.

Failure to comply with the undertakings that remains unremedied within 30 days of written notice from the Security Trustee constitutes an event of default.

(g) Defaults and Breaches

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Critical accounting estimates and judgements

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

(i) Estimated impairment of goodwill

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

(ii) Investment properties

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

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

The assets and liabilities that are subject to fair value estimation are investment properties, derivative financial instruments, and separately identifiable intangible assets. Further information on the methodology used in measuring these assets and liabilities are described in notes 14, 16 and 18 respectively.

NOTE 4. REVENUE

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
From continuing operations				
Sales revenue				
Aeronautical revenue	79,209	75,431	79,036	75,278
Commercial trading revenue	28,124	27,504	26,537	25,907
Property revenue	30,835	27,442	27,498	24,306
Other revenue	1,676	3,515	1,534	3,510
	139,844	133,892	134,605	129,001
Interest and dividend revenue				
Interest	3,843	6,611	2,843	3,314
Dividends	-	-	-	20,000
	3,843	6,611	2,843	23,314
	143,687	**140,503**	**137,448**	**152,315**

NOTE 5. OTHER INCOME

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Government grants	2,544	647	863	647
	2,544	647	863	647

NOTE 6. EXPENSES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit before income tax includes the following specific expenses				
Depreciation of:				
Buildings	4,031	4,030	4,031	4,030
Leasehold improvements	4,959	5,121	4,945	5,121
Plant & equipment	5,101	4,954	5,101	4,954
Computers, office equipment, furniture & fittings	2,063	2,365	2,063	2,365
Total depreciation of property plant and equipment	**16,154**	**16,470**	**16,140**	**16,470**
Amortisation of:				
Prepaid operating lease	1,456	1,368	1,456	1,367
Property lease	170	170	-	-
Total amortisation	1,626	1,538	1,456	1,367
Total amortisation and depreciation	**17,780**	**18,008**	**17,596**	**17,837**
Finance costs:				
Interest on Airport Loan Notes	-	-	28,284	28,362
Dividends on RPS paid and/or provided	28,284	28,362	-	-
Interest paid or payable	35,485	36,682	41,660	51,052
Amortisation of borrowing costs	2,139	2,141	-	-
Total finance costs expensed	**65,908**	**67,185**	**69,944**	**79,414**
Other operating expense items:				
Impaired Loss (expense and provision) – trade receivables	9	39	9	39
Provision for employee benefits	745	951	-	-
Operating lease – minimum lease payments	729	688	706	666

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. ADJUSTMENT TO PRIOR YEAR

The 30 June 2008 consolidated and parent entity financial statements have been adjusted to increase revenue " increments / (decrements) in fair value of investment properties," and the "investment property" asset by $7.047 million, with deferred tax expense and liability balances increasing by $2.114 million. The net impact on retained earnings was $4.933 million.

NOTE 8. INCOME TAX EXPENSE

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Income tax (benefit)/expense				
Current tax	2,510	5,995	(414)	779
Deferred tax	(2,554)	6,378	(1,237)	4,001
Under / (over) provided in prior years	(1)	(45)	(1)	(43)
Income tax (benefit)/expense attributable to profit from continuing operations	**(45)**	**12,328**	**(1,652)**	**4,737**
Deferred income tax expense (revenue) included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	486	402	821	302
(Decrease) increase in deferred tax liabilities	(3,040)	5,976	(2,058)	3,699
	(2,554)	**6,378**	**(1,237)**	**4,001**
(b) Numerical reconciliation of income tax expense (benefit) to prima facie tax payable				
Profit/(Loss) from continuing operations before income tax expense (benefit)	(4,286)	25,672	(9,644)	22,530
Tax at the Australian tax rate of 30% (2008 – 30%)	(1,286)	7,702	(2,893)	6,759
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible interest and other expense	1,242	3,832	1,242	3,829
Under / (over) provided in prior years	(1)	794	(1)	794
Adjustment to deferred tax balances	-	-	-	(645)
Other non-assessable Intercompany Dividends	-	-	-	(6,000)
	(45)	**12,328**	**(1,652)**	**4,737**
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax debited directly to equity (notes 15 and 24)	(11,588)	5,180	-	(341)

NOTE 8. INCOME TAX EXPENSE (CONT)

(d) Tax consolidation legislation

Adelaide Airport Limited and its wholly-owned entities implemented the tax consolidation legislation as of 1 July 2004. The accounting policy on implementation of the legislation is set out in note 1(e).

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

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables (see note 35(d)).

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank and on hand	21,734	19,557	21,734	19,557
Distribution account	1,602	1,524	-	-
Cash reserves at bank[1]	11,090	10,507	-	-
Bills Receivable	15,000	20,000	15,000	20,000
	49,426	**51,588**	**36,734**	**39,557**

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

NOTE 10. CURRENT ASSETS – TRADE RECEIVABLES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade debtors	8,323	7,853	8,323	7,853
Less: Provision for impairment	(52)	(43)	(52)	(43)
	8,271	**7,810**	**8,271**	**7,810**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. CURRENT ASSETS – TRADE RECEIVABLES (CONT)

(a) Allowance for Impaired Loss

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

Movements in the provision for impairment loss were as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
As at 1 July	(43)	(4)	(43)	(4)
Charge for the year	(9)	(39)	(9)	(39)
As at 30 June	**(52)**	**(43)**	**(52)**	**(43)**

(b) Past Due but Not Impaired

As at 30 June 2009. trade receivables of 2,054,000 (2008 $1,498,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis for trade receivables is as follows -

2009	Total $'000	0-30 days $'000	31-60 days $'000	61-90 days $'000	+91 days $'000
Consolidated	8,271	6,217	1,914	91	49
Parent	8,271	6,217	1,914	91	49

2008	Total $'000	0-30 days $'000	31-60 days $'000	61-90 days $'000	+91 days $'000
Consolidated	7,810	6,269	877	430	234
Parent	7,810	6,269	877	430	234

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

(c) Collateral and other credit enhancements obtained

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

(d) Related Party Receivables

For terms and conditions of related party receivables refer to note 35.

For details on cross guarantee refer note 38.

(e) Fair value and Credit Risk

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

NOTE 11. CURRENT ASSETS – OTHER RECEIVABLES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans to tenants	-	8	-	8
Prepayments	984	1,118	934	1,049
Accrued revenue	6,106	3,872	6,106	3,826
Current tax receivable	580	-	580	-
	7,670	**4,998**	**7,620**	**4,883**

NOTE 12. NON CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

Consolidated	Leasehold Buildings and Improvements $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2007				
Cost	271,838	87,486	2,133	361,457
Accumulated Depreciation	(32,758)	(18,552)	-	(51,310)
Net book amount	**239,080**	**68,934**	**2,133**	**310,147**
Year ended 30 June 2008				
Carrying amount at 1 July 2007	239,080	68,934	2,133	310,147
Additions	742	2,978	1,174	4,894
Disposals	(16)	(840)	-	(856)
Impairment	-	-	-	-
Transfers between categories	-	-	-	-
Depreciation/amortisation expense (note 6)	(9,151)	(7,319)	-	(16,470)
Carrying amount at 30 June 2008	**230,655**	**63,753**	**3,307**	**297,715**
At 30 June 2008				
Cost	272,559	89,460	3,307	365,327
Accumulated Depreciation	(41,904)	(25,707)	-	(67,611)
Net book amount	**230,655**	**63,753**	**3,307**	**297,715**
Year ended 30 June 2009				
Carrying amount at 1 July 2008	230,655	63,753	3,307	297,715
Additions	1,436	3,554	1,522	6,512
Disposals	(27)	(73)	-	(100)
Impairment	(428)	(1,055)	-	(1,483)
Transfers between categories	-	-	-	-
Depreciation/amortisation expense (note 6)	(8,990)	(7,164)	-	(16,154)
Carrying amount at 30 June 2009	**222,646**	**59,015**	**4,829**	**286,490**
At 30 June 2009				
Cost	273,540	90,818	4,829	369,187
Accumulated Depreciation	(50,894)	(31,803)	-	(82,697)
Net book amount	**222,646**	**59,015**	**4,829**	**286,490**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. NON CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT (CONT)

Parent entity	Leasehold Buildings and Improvements $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2007				
Cost	271,838	87,486	2,133	361,457
Accumulated Depreciation	(32,758)	(18,552)	-	(51,310)
Net book amount	**239,080**	**68,934**	**2,133**	**310,147**
Year ended 30 June 2008				
Carrying amount at 1 July 2007	239,080	68,934	2,133	310,147
Additions	742	2,978	1,174	4,894
Disposals	(16)	(840)	-	(856)
Impairment	-	-	-	-
Transfers between categories	-	-	-	-
Depreciation/amortisation expense (note 6)	(9,151)	(7,319)		(16,470)
Carrying amount at 30 June 2008	**230,655**	**63,753**	**3,307**	**297,715**
At 30 June 2008				
Cost	268,599	88,974	3,307	360,880
Accumulated Depreciation	(37,944)	(25,221)	-	(63,165)
Net book amount	**230,655**	**63,753**	**3,307**	**297,715**
Year ended 30 June 2009				
Carrying amount at 1 July 2008	230,655	63,753	3,307	297,715
Additions	967	2,499	1,522	4,988
Disposals	-	(73)	-	(73)
Impairment	-	-	-	-
Transfers between categories	-	-	-	-
Depreciation/amortisation expense (note 6)	(8,976)	(7,164)	-	(16,140)
Carrying amount at 30 June 2009	**222,646**	**59,015**	**4,829**	**286,490**
At 30 June 2009				
Cost	269,565	90,344	4,829	364,738
Accumulated Depreciation	(46,919)	(31,329)	-	(78,248)
Net book amount	**222,646**	**59,015**	**4,829**	**286,490**

(a) Valuation of property, plant and equipment

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

(b) Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the parent entity or its controlled entities.

(c) Impairment expense

The consolidated entity incorporates an impairment expense of $1.483 million, representing write-off of operational tangible assets at Parafield airport. Operational cash flows at Parafield are not considered sufficient to support the carrying value of the operational asset base.

NOTE 13. PREPAID OPERATING LEASE

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
At cost	139,514	139,514	139,514	139,514
Less: Accumulated depreciation	(15,196)	(13,740)	(15,196)	(13,740)
	124,318	**125,774**	**124,318**	**125,774**
Prepaid operating lease movements				
Opening balance 1 July	125,774	122,764	125,774	122,764
Re-classification from operating to investment	-	(379)	-	(379)
Re-classification from investment to operating	-	4,757	-	4,757
Amortisation	(1,456)	(1,368)	(1,456)	(1,368)
Closing balance 30 June	**124,318**	**125,774**	**124,318**	**125,774**

NOTE 14. NON-CURRENT ASSETS – INVESTMENT PROPERTY

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
At Fair value				
Opening balance 1 July	214,039	191,494	184,242	166,435
Additions	1,752	-	1,752	-
Capitalised subsequent expenditure	4,767	3,402	4,759	3,352
Net gain (loss) from fair value adjustment	(10,039)	21,100	(6,900)	16,412
Fair value adjustment on re-class from Operating to investment	-	2,800	-	2,800
Re-classification from investment to operating use	-	(4,757)	-	(4,757)
Closing balance 30 June	210,519	214,039	183,853	184,242
(a) Amounts recognised in profit and loss for investment property				
Rental income	23,163	20,226	18,820	16,040
Direct operating expenses from property that generated rental income	(3,405)	(2,860)	(2,940)	(2,214)
	19,758	**17,366**	**15,880**	**13,826**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. NON-CURRENT ASSETS – INVESTMENT PROPERTY (CONT)

(b) Valuation basis

Investment properties are independently valued on a fair value basis by Rushton Valuers Pty Ltd. In 2009 all of the Group's properties were subject to this third party assessment. In future years AAL's policy will be to revalue its properties on a 3 year rotational basis as follows;

- All investment land to be valued annually
- Investment buildings with a value greater than $3.0 million are valued annually
- One third of the balance of investment buildings are valued annually so that all investment buildings with a value less than $3.0 million will be valued not less than once every three years. This sample is selected so that it is reasonably representative of the two thirds not being valued in that particular year.
- The remaining two thirds is then valued using a desktop review approach.

Rushton Valuers use the appropriate valuation methodology in accordance with the circumstances of the particular investment property. Valuation methodologies utilised by Rushton Valuers are as follows;

- Direct Comparison. This method is used for valuing freehold land and involves comparing sales of similar properties in the same or similar areas. This method is very reliable where there is a sufficient sample size. It assumes that the seller and buyer are prudent and are well informed as to recent sales of properties similar to that which is being offered.
- Capitalisation. This method capitalises an actual or imputed net rental income at an appropriate yield as determined by the market place. The yield is an expression of the perceived risks associated with the investment relating to such factors as the protection of capital invested and anticipated appreciation, security of income and cash flow, time frame for the return of capital, liquidity, saleability and investor demand for the property, economic factors including inflation, term and covenants of the lease, rental structure, financial backing of the sitting tenant etc. Research, investigation and analysis of sales of similar type investment properties is undertaken to determine appropriate rental and capitalisation rates. An allowance for leasing fees, loss of rental during the potential let-up period and incentives is made to reflect the value of the tenancies with vacant possession as opposed to being fully leased.
- Desktop Review. This method is used for the balance of two thirds of the investment building portfolio as set out above. A desktop review does not involve a formal valuation and should not be regarded as such. Rushton Valuers have reviewed their last full valuation of the subject properties by reference to building price indexes, inflation, exchange rates and the like which may have impacted upon cost movements.

(c) Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the parent entity or its controlled entities.

(d) Contractual obligations

Refer to note 33 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(e) Leasing arrangements

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

MINIMUM LEASE PAYMENTS RECEIVABLE ON LEASES OF INVESTMENT PROPERTIES ARE AS FOLLOWS:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:				
Within one year	15,024	10,227	13,031	8,267
Later than one year but not later than five years	50,657	39,605	43,483	32,596
Later than five years	149,997	147,827	131,405	129,508
	215,678	**197,659**	**187,919**	**170,372**

NOTE 15. NON CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Property, plant and equipment	1,912	1,577	-	-
Lease liabilities	291	982	291	982
Other	1,101	1,246	1,117	1,250
Provisions	603	588	16	13
	3,907	4,393	1,424	2,245
Amounts recognised directly in equity				
Cash flow hedges	4,147	-	-	-
Set-off deferred tax liabilities of parent entity pursuant to set-off provisions (note 24)	(8,054)	(4,393)	(1,424)	(2,245)
Net deferred tax assets	-	-	--	-
Movements:				
Opening balance at 1 July	4,393	4,795	2,245	2,547
Credit / (charged) to the income statement (Note 8)	(486)	(402)	(821)	(302)
Credit / (charged to equity)	4,147	-	-	-
Closing balance 30 June	8,054	4,393	1,424	2,245
Deferred tax assets to be recovered after more than 12 months	7,436	3,449	1,397	1,871
Deferred tax assets to be recovered within 12 months	618	944	27	374
	8,054	**4,393**	**1,424**	**2,245**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. NON CURRENT ASSETS - INTANGIBLE ASSETS

Consolidated	Property Leases $'000	Goodwill $'000	Total $'000
At 1 July 2007			
Cost	20,853	179,410	200,263
Accumulated amortisation and impairment	(15,980)	-	(15,980)
Net book amount	**4,873**	**179,410**	**184,283**
Year ended 30 June 2008			
Opening net book amount	4,873	179,410	184,283
Additions	-	-	-
Amortisation charge	(170)	-	(170)
Closing net book amount	**4,703**	**179,410**	**184,113**
At 30 June 2008			
Cost	20,853	179,410	200,263
Accumulated amortisation and impairment	(16,150)	-	(16,150)
Net book amount	**4,703**	**179,410**	**184,113**
Year ended 30 June 2009			
Opening net book amount	4,703	179,410	184,113
Additions	-	-	-
Amortisation charge	(170)	-	(170)
Closing net book amount	**4,533**	**179,410**	**183,943**
At 30 June 2009			
Cost	20,853	179,410	200,263
Accumulated amortisation and impairment	(16,320)	-	(16,320)
Net book amount	**4,533**	**179,410**	**183,943**

NOTE 16. NON CURRENT ASSETS - INTANGIBLE ASSETS (CONT)

Parent entity	Property Leases $'000	Goodwill $'000	Total $'000
At 1 July 2007			
Cost	14,434	179,410	193,844
Accumulated amortisation and impairment	(14,434)	-	(14,434)
Net book amount	**-**	**179,410**	**179,410**
Year ended 30 June 2008			
Opening net book amount	-	179,410	179,410
Additions	-	-	-
Amortisation charge	-	-	-
Closing net book amount	**-**	**179,410**	**179,410**
At 30 June 2008			
Cost	14,434	179,410	193,844
Accumulated amortisation and impairment	(14,434)	-	(14,434)
Net book amount	**-**	**179,410**	**179,410**
Year ended 30 June 2009			
Opening net book amount	-	179,410	179,410
Additions	-	-	-
Amortisation charge	-	-	-
Closing net book amount	-	179,410	179,410
At 30 June 2009			
Cost	14,434	179,410	193,844
Accumulated amortisation and impairment	(14,434)	-	(14,434)
Net book amount	**-**	**179,410**	**179,410**

NOTE 16. NON CURRENT ASSETS – INTANGIBLE ASSETS (CONT)

(a) Impairment tests for goodwill

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

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

(b) Key assumptions used for discounted cash-flow calculations

(i) Passenger traffic forecasts

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

(ii) Property lease rentals

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

(c) Impact of possible changes in key assumptions

The recoverable amount of goodwill exceeds the carrying value of goodwill at 30 June 2009 by an amount which is sufficient to ensure there is no potential for impairment to goodwill in the foreseeable future. Management does not consider a likely change in any of the key assumptions will have a material impact on the recoverable amount.

NOTE 17. NON-CURRENT ASSETS – OTHER RECEIVABLES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans to tenants	423	423	423	423
Receivable from related entities	-	-	7,516	8,973
	423	**423**	**7,939**	**9,396**

NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current assets				
Interest rate swap contracts – cash flow hedges	-	-	-	-
Total current derivative financial instrument assets	-	-	-	-
Non-current assets				
Interest rate swap contracts – cash flow hedges	-	24,804	-	-
Total non-current derivative financial instrument assets	**-**	**24,804**	**-**	**-**
Current liabilities				
Interest rate swap contracts – cash flow hedges	-	-	-	-
Total current derivative financial instrument liabilities	-	-	-	-
Non-current liabilities				
Interest rate swap contracts – cash flow hedges	13,822	-	-	-
Total non-current derivative financial instrument liabilities	**13,822**	**-**	**-**	**-**

(a) Instruments used by the Group

Interest rate swap contracts – cash flow hedges

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

Swaps currently in place cover 90.4% (2008 – 91.6%) of the loan principal outstanding. The average fixed interest rate is 6.49% (2008 – 6.49%) and the variable rates are based on the 90-day BBSY (bid) bank bill rate or 90 day BBSW bank bill rate.

At 30 June 2009, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2009 $'000	2008 $'000
Less than 1 year	-	65,000
1 - 2 years	388,000	-
2 - 3 years	-	388,000
3 - 4 years	-	-
4 - 5 years	-	-
5 - 10 years	390,000	390,000
	778,000	**843,000**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS (CONT)

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.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2009 no amounts were recorded in profit and loss in respect of ineffective hedges.

At balance date for the Group these contracts were liabilities with fair value of $13,822,472 (2008 – assets with fair value of $24,804,316) and for the parent entity these contracts were assets with fair value of nil (2008 – nil). In the year ended 30 June 2009 for the Group there was a fair value decrease to equity of $27,038,720 (2008 – an increase of $10,397,000) and for the parent entity a decrease from fair value of nil (2008 - $2,490,000).

(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 balance sheet is the carrying amount, net of any provision for doubtful debts. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers. The consolidated entity has a material exposure to the major Australian Domestic Airlines. Interest rate swaps are subject to credit risk in relation to the relevant counterparties, which are large Australian banks.

(c) Interest rate risk exposures

The consolidated entity has entered into:

(i) A $230 million interest rate swap that swaps the consolidated entity's medium term note floating rate borrowings into fixed rates. $50 million matured 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 is 6.698% and the floating rates are at prevailing 90 day BBSW market rates.

(ii) A $163 million interest rate swap that swaps a portion of the consolidated entity's medium term note floating rate borrowings into fixed rates in accordance with the Group's interest hedge policy. The notional amount varies over the term of the swap as follows:
- the swap commenced on 20 December 2005 with a notional amount of $163 million that matured on 20 December 2007;
- continued from the 21 December 2007 with a notional amount of $213 million that matured on 22 December 2008; and
- continued from the 23 December 2008 with a notional amount of $148 million that matures on 20 December 2010 commensurate with the maturity of underlying debt facilities. 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 are at the prevailing 90 day BBSY (BID) market rates.

(iii) A $200 million interest rate swap that swaps a portion of the consolidated entity's medium term note floating rate borrowings into fixed rates in accordance with the Group's interest hedge policy. The swap commences on 15 December 2010. The swap matures on 15 December 2015 commensurate with the maturity of underlying debt facilities. The contract involves quarterly payments and receipts of the net amount of interest. The weighted average fixed rate on the swap is 6.2875% and the floating rates are at the prevailing 90 day BBSW market rates.

(iv) A $25 million interest rate swap that swaps a portion of the consolidated entity's medium term note floating rate borrowings into fixed rates in accordance with the Group's interest hedge policy. The swap commences on 15 December 2010. The swap matures on 15 December 2015 commensurate with the maturity of underlying debt facilities. The contract involves quarterly payments and receipts of the net amount of interest. The weighted average fixed rate on the swap is 6.29% and the floating rates are at the prevailing 90 day BBSW market rates.

(v) A $60 million interest rate swap that swaps a portion of the consolidated entity's medium term note floating rate borrowings into fixed rates in accordance with the Group's interest hedge policy. The swap commences on 22 March 2009. The swap matures on 15 December 2010 commensurate with the maturity of underlying debt facilities. The contract involves quarterly payments and receipts of the net amount of interest. The weighted average fixed rate on the swap is 6.405% and the floating rates are at the prevailing 90 day BBSW market rates.

(vi) A $165 million interest rate swap that swaps a portion of the consolidated entity's medium term note floating rate borrowings into fixed rates in accordance with the Group's interest hedge policy. The swap commences on 20 December 2010. The swap matures on 20 September 2016 commensurate with the maturity of underlying debt facilities. The contract involves quarterly payments and receipts of the net amount of interest. The weighted average fixed rate on the swap is 6.29% and the floating rates are at the prevailing 90 day BBSW market rates.

NOTE 19. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade payables	2,196	3,045	2,196	3,045
Other payables	13,405	16,666	10,612	13,520
	15,601	**19,711**	**12,808**	**16,565**

NOTE 20. CURRENT LIABILITIES - BORROWINGS

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Secured				
Lease liability	971	808	971	808
	971	**808**	**971**	**808**

Details of the security of the lease liability are set out in note 23.

NOTE 21. CURRENT LIABILITIES - PROVISIONS

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Annual leave	716	678	-	-
Long service leave	762	583	-	-
	1,478	**1,261**	**-**	**-**

NOTE 22. CURRENT LIABILITIES - OTHER

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Unsecured				
Retentions and deposits	501	365	501	365
Deferred Revenue	40	50	40	50
	541	**415**	**541**	**415**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. NON CURRENT LIABILITIES - BORROWINGS

		Consolidated		Parent entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Secured					
Medium term notes 2010	(a)(i)	261,993	260,620	-	-
Medium term notes 2016	(a)(ii)	260,049	259,368	-	-
Working Capital Facility BankSA	(a)(iii)	-	-	-	-
Lease liability	(a)(iv)	1,495	2,466	1,495	2,466
Land Transport Notes	(a)(v)	-	226,729	-	226,729
Macquarie Bank Ltd Loan	(a)(v)	-	(226,729)	-	(228,820)
Total secured non current borrowings		**523,537**	**522,454**	**1,495**	**375**
Unsecured					
Airport loan notes	(b)	-	-	188,563	188,563
Redeemable preference shares	(c)	188,216	188,146	-	-
Loans from related parties	35	-	-	531,817	528,414
Total unsecured non current borrowings		**188,216**	**188,146**	**720,380**	**716,977**
Total non current borrowings		**711,753**	**710,600**	**721,875**	**717,352**

(a) The total secured liabilities (current and non-current) are as follows:

		Consolidated		Parent entity	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Secured					
Medium term notes 2010	(a)(i)	261,993	260,620	-	-
Medium term notes 2016	(a)(ii)	260,049	259,369	-	-
Working Capital Facility BankSA	(a)(iii)	-	-	-	-
Lease liability	(a)(iv)	2,465	3,274	2,465	3,274
Land Transport Notes	(a)(v)	-	226,729	-	226,729
Macquarie Bank Ltd Loan (note 1(y))	(a)(v)	-	(226,729)	-	(228,820)
Total secured liabilities		**524,507**	**523,263**	**2,465**	**1,183**

(i) The Medium Term Notes 2010 (MTN's 2010) 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 2010 are issued in registered form with 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 17. The MTN's 2010 are secured by a charge over the entire assets and undertakings of the Group.

(ii) The Medium Term Notes 2016 (MTN's 2016) 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 2016 are issued in registered form with a financial guarantee from MBIA Insurance Corporation. The proceeds from the 22 August 2006 issue ($265 million) were used to refinance existing senior bank debt obtained to finance the construction of the New Terminal. The notes consist of $165 million where interest is payable quarterly based on the 90 day BBSW bank bill rate plus a margin of 0.25% and $100 million where interest is payable half-yearly with a fixed rate of 6.25%. Interest rate swap facilities have been used to effectively fix the interest rate for the variable portion as set out in note 18. The MTN's 2016 are secured by a charge over the entire assets and undertakings of the Group.

(iii) The working capital facility is secured by a charge over the entire assets and undertakings of the Group and is current until December 2010.

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

(v) 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 $228.82 million as at 30 June 2008 (2007 - $228.82 million). $3.20 million in repayments has been received as at 30 June 2008. A legal right of set-off exists in respect $226.73 million, representing a loan payable by Macquarie Bank Ltd ("MBL") against the redemption of the Land Transport notes. This arrangement drew to a close in the 2009 financial year.

(b) Airport loan notes

The Company has issued securities comprising of a $99 loan note totaling $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 a maximum of 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 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 2004.

(c) Redeemable preference shares

The Redeemable Preference Shares ("RPS") have been issued by New Terminal Construction Company Pty Ltd (NTC) in units of $99 totaling $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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. NON CURRENT LIABILITIES – BORROWINGS (CONT)

(d) Standby arrangements and credit facilities

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Bank loan facilities				
Working capital facility provided by BankSA	20,000	20,000	-	-
Used at balance date	-	-	-	-
Unused at balance date	**20,000**	**20,000**	**-**	**-**

NOTE 24. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Accrued revenue and interest receivable	736	720	720	717
Investment property	32,220	34,633	27,640	29,130
Property plant and equipment	12,180	11,699	11,149	10,557
Intangibles	1,346	1,397	-	-
Prepaid operating lease	37,295	37,732	37,295	37,732
Borrowing costs	1,233	1,143	-	-
	85,010	87,324	76,804	78,136
Amounts recognised directly in equity				
Cash flow hedges	-	7,441	-	-
Asset Revaluation Reserve	-	726	-	726
Total deferred tax liabilities	85,010	95,491	76,804	78,862
Set-off deferred tax assets (note 15)	(8,054)	(4,393)	(1,424)	(2,245)
Net deferred tax liabilities	**76,956**	**91,098**	**75,380**	**76,617**
Movements				
Opening balance at 1 July	95,491	84,335	78,862	75,504
Credit / (charged) to the income statement (Note 8)	(3,040)	5,976	(2,058)	3,699
Credited/(charged to equity)	(7,441)	5,180	-	(341
Closing balance 30 June	85,010	95,491	76,804	78,862
Deferred tax liabilities to be recovered within 12 months	735	738	721	717
Deferred tax liabilities to be recovered after more than 12 months	84,275	94,753	76,083	78,145
	85,010	95,491	76,804	78,862

NOTE 25. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Provisions – long service leave	195	257	-	-
Provisions – LTEIP	285	398	-	-
	480	**655**	**-**	**-**

NOTE 26. NON-CURRENT LIABILITIES – OTHER

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred income	1,955	2,966	1,955	2,966
	1,955	**2,966**	**1,955**	**2,966**

NOTE 27. CONTRIBUTED EQUITY

The company has authorised share capital amounting to 1,904,646 (2008:1,904,646) ordinary shares of no par value.

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Ordinary shares fully paid	1,904,676	1,904,676	1,904,676	1,904,676
	1,904,676	1,904,676	1,904,676	1,904,676

NOTES TO THE FINANCIAL STATEMENTS

NOTE 28. RESERVES AND RETAINED PROFITS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Reserves				
Hedging reserve – cash flow hedges	(9,676)	17,363	-	-
Asset Revaluation Reserve	1,695	1,695	1,695	1,695
	(7,981)	**19,058**	**1,695**	**1,695**
Hedging Reserve movements				
Balance 1 July	17,363	6,967	-	2,490
Revaluation – gross (note 18)	(38,627)	14,851	-	-
Transfer of hedges to NTF	-	-	-	(2,490)
Deferred tax (note 24)	11,588	(4,455)	-	-
Balance 30 June	**(9,676)**	**17,363**	**-**	**-**
Asset Revaluation Reserve movements				
Balance 1 July	1,695	-	1,695	-
Re-classification from Operating to Investment Asset AASB 140 and AASB 116	-	2,421	-	2,421
Deferred tax (note 24)	-	(726)	-	(726)
Balance 30 June	**1,695**	**1,695**	**1,695**	**1,695**
(b) Retained profits				
Balance 1 July	57,820	44,476	25,497	7,704
Dividends (note 29)	-	-	-	-
Profit/(Loss) – current year	(4,241)	13,344	(7,992)	17,793
Balance 30 June	**53,579**	**57,820**	**17,505**	**25,497**

(c) Nature and purpose of reserves

Hedging reserve – cash flow hedges

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

Asset revaluation reserve

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

NOTE 29. DIVIDENDS

(a) Ordinary Shares

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Unfranked dividend	-	-	-	-
	-	**-**	**-**	**-**

(b) Redeemable preference shares

Dividends on these shares of 15% per annum (2008 – 15% per annum) totalling $28,284,434 (2008 - $28,361,926) paid quarterly have been charged to the income statement as interest and finance charges because the shares are classified as liabilities (refer note1(x)).

(c) Franking Credits

	Consolidated & Parent entity	
	2009 $'000	2008 $'000
Franking Credits available for subsequent financial years base on a tax rate of 30% (2008 – 30%)	12,642	5,133
	12,642	**5,133**

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

(i) franking credits that will arise from the payment of the amount of the provision for income tax
(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Adelaide Airport Ltd during the financial year:

(i) Chairman – non-executive

D C Munt

(ii) Executive directors

P A Baker, Managing Director

(iii) Non-executive directors

A Mulgrew

J R McDonald

A Mulgrew

G M Scott (deceased 24 December 2008)

J L Tolhurst

J F Ward

(iv) Alternate directors

M Delaney –alternate for John McDonald (appointed 21 May 2008)

Nicholas Szuster – alternate for Graham Scott (appointed 28 August 2007, ceased 24 December 2008)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT)

(b) Other key management personnel

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

NAME	POSITION	EMPLOYER
M Andrews	General Manager Business Development	Adelaide Airport Management Ltd
S Doyle	Manager Executive Services	Adelaide Airport Management Ltd
L Goff	Company Secretary	Adelaide Airport Management Ltd
K May	General Manager Property Development	Adelaide Airport Management Ltd
J McArdle	General Manager Corporate Affairs	Adelaide Airport Management Ltd
V Scanlon	General Manager Airport Operations	Adelaide Airport Management Ltd
M Young	Chief Financial Officer & Joint Company Secretary	Adelaide Airport Management Ltd

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Short-term employee benefits	2,502,802	2,335,978	2,502,802	2,335,978
Superannuation	173,386	174,489	173,386	174,489
	2,676,188	**2,510,467**	**2,676,188**	**2,510,467**

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

NOTE 31. REMUNERATION OF AUDITORS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:	184,446	166,254	184,446	166,254
Other assurance services:		-		-
Audit of Government Grant claim	4,500	-	4,500	-
Taxation services:				
Staff training services	-	1,485	-	1,485
	188,946	**167,739**	**188,946**	**167,739**

NOTE 32. CONTINGENCIES

(a) Contingent liabilities

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

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

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

NOTE 33. COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Property, plant and equipment Payable:				
Within one year	2,160	545	2,160	545
Later than one year but not later than 5 years	-	-	-	
Later than 5 years	-	-	-	-
	2,160	**545**	**2,160**	**545**
Investment property				
Within one year	142	-	142	-
Later than one year but not later than 5 years	3,721	4,888	3,721	4,888
Later than 5 years		-		-
	3,863	**4,888**	**3,863**	**4,888**
(b) Lease commitments: Group Company as lessee				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	304	400	304	400
Later than one year but not later than 5 years	219	316	219	316
	523	**716**	**523**	**716**
Representing:				
Non-cancellable operating leases	319	330	319	330
Future finance charges on finance leases	204	386	204	386
	523	**716**	**523**	**716**
(i) Operating leases				
The Group leases various items of plant and equipment under non-cancellable operating leases.				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	185	171	185	171
Later than one year but not later than five years	134	159	134	159
Later than five years	-	-	-	-
Commitments not recognised in the financial statements	**319**	**330**	**319**	**330**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 33. COMMITMENTS FOR EXPENDITURE (CONT)

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Within one year	1,090	1,037	1,090	1,037
Later than one year but not later than five years	1,579	2,623	1,579	2,623
Later than five years	-	-	-	-
Minimum lease payments	2,669	3,660	2,669	3,660
Future finance charges	(204)	(386)	(204)	(386)
Recognised as a liability	**2,465**	**3,274**	**2,465**	**3,274**
Representing lease liabilities:				
Current (note 19)	971	808	971	808
Non-current (note 22)	1,494	2,466	1,494	2,466
	2,465	**3,274**	**2,465**	**3,274**

The weighted average interest rate implicit in the leases is 8.41% (2008 - 8.37%)

NOTE 34. EMPLOYEE ENTITLEMENTS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Employee entitlement liabilities				
Provision for employee entitlements –current (note 21)	1,478	1,261	-	-
Provision for employee entitlements – non-current (note 25)	480	655	-	-
Aggregate employee entitlement liability	**1,958**	**1,916**	**-**	**-**
Employee numbers				
Average number of employees during the financial year	116	115	-	-

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

Weighted average rates of increase in annual employee entitlements to settlement of liabilities	2.9%	6.00%	-	-
Weighted average discount rates	5.52%	6.45%	-	-
Weighted average terms to settlement of the liabilities	12 years	12 years	-	-

NOTE 35. RELATED PARTIES

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 36.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 30.

(d) Transactions with related parties

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Purchases of goods and services				
Purchase of human resources services from related companies	-	-	11,241,695	10,589,849
Purchase of payroll preparation services from related companies	-	-	111,146	102,159
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	-	-	4,231,047	7,675,761
Tax losses assumed from wholly-owned tax consolidated entities	-	-	-	-
Interest paid				
Interest paid to related companies	-	-	65,454,947	66,705,128
Dividends				
Dividends Received from related companies	-	-	-	20,000,000
Superannuation contributions				
Contributions to superannuation funds on behalf of employees	748,397	695,147	-	-

(e) Outstanding balances arising from sales/purchases of goods and service				
Current receivables (tax funding agreement)	-	-	4,231,047	7,675,761
Current payables (tax funding agreement)		-	-	-

Amounts due to and receivable from related parties within the wholly owned group are disclosed in the respective notes to the financial statements.

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of impaired debts due from related parties.

The terms and conditions of the tax funding agreement are set out in note 8d.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on loans during the year was 7.33% (2008 7.39%)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 36. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in 1(b)

Name of entity	Country of incorporation	Class of shares	Equity holding 2009 %	Equity holding 2008 %	Cost of Parent Entity's investment 2009 $	Cost of Parent Entity's investment 2008 $
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**

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with class order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 38.

NOTE 37. RECONCILIATION OF PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOWS/ (OUTFLOWS) FROM OPERATING ACTIVITIES

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Profit (Loss) from ordinary activities after income tax	(4,241)	13,344	(7,992)	17,793
Depreciation and amortisation of property plant and equipment	16,154	16,469	16,140	16,469
Amortisation of intangible assets	170	170	-	-
Amortisation of borrowing costs	2,139	2,141	-	-
Amortisation of prepaid operating lease	1,456	1,368	1,456	1,368
(Profit)/Loss on sale of assets	40	(87)	43	(87)
Fair value adjustment to investment property	10,039	(21,100)	6,900	(16,412)
Impairment of assets	1,483	8	-	-
Capitalised borrowing costs on refinancing	(15)	-	-	-
Movements in current and deferred tax assets and liabilities	(8,100)	7,172	(9,708)	(412)
Inter Entity Dividends/ Charges	-	-	107	(20,000)
Decrease (increase) in trade debtors and accrued income	(2,614)	(510)	(2,681)	(502)
Decrease (increase) in prepayments	44	503	44	503
Increase (decrease) in trade creditors	(3,073)	(2)	(2,825)	(205)
Increase (decrease) in other provisions	(55)	428	9	40
Net cash inflow/ (outflow) from operating activities	**13,427**	**19,904**	**1,493**	**(1,454)**

NOTE 38. 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.

(a) Consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Adelaide Airport Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2008 of the Closed Group consisting of Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

	2009 $'000	2008 $'000
Income Statement		
Revenue from continuing operations	159,315	153,322
Other income	2,544	20,647
Increments/(decrements) in the fair value of investment properties	(10,039)	21,100
Employee benefits expense	(10,431)	(10,039)
Depreciation and amortisation expenses	(17,780)	(18,009)
Services & utilities	(29,700)	(26,551)
Consultants & advisors	(4,822)	(3,796)
General administration	(6,251)	(6,463)
Leasing & maintenance	(4,061)	(4,640)
Borrowing costs expense	(87,178)	(96,319)
Profit/(Loss) on disposal of property, plant and equipment	(40)	87
Impairment of property, plant and equipment	(1,483)	(7)
Gain (Loss) before income tax	**(9,926)**	**22,311**
Income tax benefit/(expense)	1,739	(4,674)
Gain (Loss) for the year	**(8,187)**	**17,637**
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	43,128	20,558
Profit/(Loss) from ordinary activities after income tax expense	(8,187)	22,570
Retained profits at the end of the financial year	**34,941**	**43,128**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 38. DEED OF CROSS GUARANTEE (CONT)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group consisting of Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

	2009 $'000	2008 $'000
Current assets		
Cash assets	36,734	39,557
Receivables	8,271	7,810
Derivative financial instruments	-	-
Other	7,622	4,930
Total current assets	52,627	52,297
Non current assets		
Property, plant and equipment	286,490	297,715
Prepaid operating lease	124,318	125,774
Investment properties	210,519	214,039
Intangible assets	183,943	184,113
Receivables	423	422
Total non current assets	805,693	822,063
Total assets	**858,320**	**874,360**
Current liabilities		
Payables	12,890	16,765
Interest bearing liabilities	971	808
Derivative financial instruments	-	-
Provision for income tax	-	4,967
Provisions	1,673	1,261
Other	541	415
Total current liabilities	16,075	24,216
Non current liabilities		
Interest bearing liabilities	721,504	717,200
Deferred tax liabilities	79,961	82,596
Provisions	285	655
Other	1,955	2,966
Total non current liabilities	803,705	803,417
Total liabilities	**819,780**	**827,633**
Net assets	**38,540**	**46,727**
Equity		
Contributed equity	1,905	1,905
Reserves	1,694	1,694
Retained profits	34,941	43,128
Total equity	**38,540**	**46,727**

NOTE 39. NON-CASH FINANCING AND INVESTING ACTIVITIES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Acquisition of plant and equipment by means of finance leases	-	943	-	943

DIRECTORS' DECLARATION

ADELAIDE AIRPORT LIMITED
DIRECTORS' DECLARATION
30 JUNE 2009

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 54 are in accordance with the *Corporations Act 2001* including;

i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 38.

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

Jim Tolhurst

Director

Phillip Baker

Director

Adelaide, 30 September 2009

PRICEWATERHOUSECOOPERS

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

Report on the financial report

We have audited the accompanying financial statements of Adelaide Airport Limited (the company), which comprise the statement of financial position as at 30 June 2009, and the income statement, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Adelaide Airport Limited and the Adelaide Airport Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

PRICEWATERHOUSECOOPERS

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Adelaide Airport Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

PricewaterhouseCoopers

PricewaterhouseCoopers

AG Forman
Partner

Adelaide
30 September 2009

Adelaide Airport

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