

ADELAIDE AIRPORT LIMITED ANNUAL REPORT

2010

Adelaide Airport Limited (AAL) is a private company whose shareholders in the main are Australian Superannuation Funds. AAL is the holder of the lease and operates Adelaide and Parafield Airports for a term certain of 50 years, with a right of renewal for a further 49 years, from the date of effect 28 May 1998.

Adelaide Airport is the major gateway to the State of South Australia and services international, domestic and regional flights with a total throughput in 2010/11 in excess of 7.3 million passengers and 100,000 aircraft movements.

Adelaide Airport is located 6km due west of the CBD of Adelaide and 2km from the shores of Gulf St Vincent. Parafield Airport is located 19km to the north east of the CBD adjacent the major Adelaide to Darwin railway line and Main North Road. Both airports are surrounded by recent residential, recreational and light industry developments.

2011

Chairman: David Munt **Managing Director:** Phil Baker

Directors: Alan Mulgrew, James Tolhurst, John Ward, Jay Hogan, Anne Howe and Chris McArthur

Solicitors: Thomson Lawyers **Auditors:** PricewaterhouseCoopers

Shareholders: UniSuper Ltd 49.0%, Local Government Superannuation Board 19.5%, Colonial First State 15.3%, Industry Funds Management 12.8% and Perron Investments 3.4%

Subsidiaries: 100% Parafield Airport Limited, 100% Adelaide Airport Management Limited, 100% New Terminal Financing Company Pty Limited, 100% New Terminal Construction Company Pty Limited

Registered Office: 1 James Schofield Drive, Adelaide Airport, South Australia 5950

ABN: 78 075 176 653 Phone: +61 8 8308 9211 Fax: +61 8 8308 9311

Email: airport@aal.com.au Website: www.adelaideairport.com.au

VISION

Adelaide Airport will be a successful, modern, vibrant Centre and Gateway, promoting the economic benefits and cultural experience of South Australia. Customer service, critical to our success, will be provided at the highest levels to our community and stakeholders. Our people will be continuously developed to provide them with the requisite skills and experience to perform their duties efficiently. The environment, safety and security remain paramount.

MISSION

Adelaide Airport Limited develops and operates Adelaide and Parafield Airports as a business enterprise. We deliver safe and efficient facilities for passengers, aircraft, freight and property services for tenants and retailers, alongside general commercial developments.

VALUES

We will: conduct ourselves with integrity in a responsible manner, be efficient and practical, remain open and friendly, be responsive and respectful and consistently behaving in a positive manner.

EDGE

We will thrive: by making timely and effective decisions, by developing innovative solutions, and through clear and consistent communication with all stakeholders.

CONTENTS

CHAIRMAN'S REPORT	02
YEAR IN BRIEF	05
MANAGING DIRECTOR'S REPORT	06
BOARD OF DIRECTORS	09
EXECUTIVES	09
OPERATIONS	10
PROPERTY	14
FINANCIAL PERFORMANCE	18
PARAFIELD AIRPORT	22
ENVIRONMENTAL SUSTAINABILITY	24
PEOPLE AND CULTURE	26
COMMUNICATION/COMMUNITY	28
CORPORATE GOVERNANCE	32
THE FUTURE	36

CHAIRMAN'S REPORT



Chairman - David Munt

The past financial year has been a highly volatile one for the aviation industry, but not for the reasons we might have anticipated.

A series of natural disasters, both home and abroad, in the latter half of 2010/11 has clearly had an impact on Adelaide Airport Ltd's operations. However, we have maintained a solid level of passenger growth and our revenue has continued to grow, despite a 25 per cent reduction in our Passenger Facilitation Charge during the year.

As in the case of the global financial crisis of three years ago, we have been able to negotiate this unexpectedly turbulent period because of prudent decision making and sound investment strategy over more than a decade.

Importantly, our strong balance sheet enables us to get on with the necessary work to expand our operations and provide a better level of service to our customers. Re-investment in our infrastructure is made

possible because of our solid financial position and stable outlook, as re-affirmed by Moody's and Standard & Poor's ratings agencies.

Major non-aeronautical projects such as manufacturing and warehousing facilities for Manuele Engineers and Boart Longyear have also been completed within the airport precinct.

Internally, our shareholding list has undergone some changes in 2010/11, and we have also seen a minor re-structuring of the Board.

We farewelled John McDonald and welcomed both Anne Howe and Chris McArthur.

John McDonald was a founding Board member and assisted us through some significant strategic years with major infrastructure and passenger growth.

Externally, an initial draft of the Productivity Commission's report into the Economic Regulation of Airport Services has been released,

and we have prepared a submission on the key outcomes.

The report appears to be a step in the right direction, exhibiting a better understanding of the issues in running a major airport.

At all times we have been conscious of maintaining our strong environmental credentials within the aviation industry. We have formed a three-year partnership with the University of Adelaide's Centre for Energy Technology to undertake research to develop clean energy solutions for Adelaide Airport. This is an exciting project that could have far-reaching benefits for the airport and the aviation industry as a whole.

We continue to play a major role in the local community by supporting charities, community organisations and sporting clubs. Whether it be partnering with the Adelaide Festival, kicking goals with Women's Premier League Division Football (soccer) or providing

air-conditioning for a local kindergarten, we are always looking to provide the greatest possible benefit we can to our State.

Our contribution to the growth of South Australia's economy should never be underestimated. More than 8000 people are directly employed as a result of Adelaide Airport activities, of which approximately 5,200 work within the airport precinct, making it the largest single site employment precinct in the State.

There are busy times ahead, through the continuation of our major infrastructure investment at Adelaide Airport and the preparation of our revised master plan for Parafield Airport.

We are confident we can maintain our strong commitment to providing the highest quality aeronautical facilities in South Australia for years to come.



T1 - Family Friendly

YEAR IN BRIEF

Financial results

- Revenue, which excludes interest - \$152.9 million (last year \$147.5 million)
- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties - \$93.0 million (last year \$91.6 million) an increase of 1.6%
- Net profit before tax of \$21.1 million (last year net profit before tax of \$21.7 million). Excluding the fair value adjustment for investment properties the net profit before tax this year is \$11.4 million (last year \$9.1 million)
- Dividends on redeemable preference shares \$28.3 million (last year \$28.3 million)
- Increase in fair value of investment properties of \$9.7 million (last year increase of \$12.6 million)
- Credit Rating review retained - Moody's at Baa2 / stable; S&P at BBB / stable
- Successful completion of the most recent round of re-financing activity

Statutory compliance

- Safety and Security regulatory audit compliance satisfactorily maintained
- Equal Opportunity for Women in the Workplace compliance satisfactorily maintained
- DoIT lease review assessment satisfactory report
- Master Development Plan for a Landside Infrastructure Project and Terminal Link Bridge approved
- ACCC Quality of Service report - reasonable

Airport operations

- Moderate and sustained traffic growth exceeding 7.3 million passengers
- Initial successful operation of Vietnam Airlines charter service
- Airport Watch initiative adopted at Adelaide Airport
- Upgraded Terminal Area RADAR (TAR) commissioned by Airservices Australia
- Airservices Australia's new tower project well ahead of schedule at Adelaide
- Runways and taxiways overlay project completed and nominated for numerous awards
- Communication plan for overlay project applauded by local residents
- Landside Infrastructure Project commenced
- University of SA announces significant growth in flight training - Parafield
- Taxiway lighting upgrade at Parafield

Property development

- Increased land holding portfolio through purchasing property in the 30 - 35 ANEF contour
- Australian Federal Police building negotiations completed
- T1 Retail continues to be recognised with many State industry awards

Other notable events

- Hosted the Australasia Wildlife and Bird Hazard Management Seminar
- Hosted the 2010 Australian Airports Association Convention and Technical Workshop
- Successfully negotiated increased services to Denpasar (Bali) operated by Pacific Blue (Virgin Australia)
- Staffed information booths at public forums such as The AFTA Travel Expo and The Disability Information Resource Centre State Exhibition in the city and regional centres

MANAGING DIRECTOR'S REPORT

Financial year 2010/11 will be remembered for a whole range of natural disasters in the Asia Pacific region, ranging from the Tsunami in Japan with associated nuclear issues, through to the earthquakes in New Zealand and the Chilean volcanic ash cloud, all of which touched Australian aviation negatively to some extent.

Closer to home, there was widespread flooding in Queensland and to a lesser extent in Victoria, and bush fires reported in WA, all around the turn of the year in the middle of summer. Whilst South Australia escaped the direct impacts of these events, the same could not be said of the domestic travel market, which was severely impacted at a key holiday time.

In our case, the major factor was the volcanic ash cloud, which caused widespread cancellations of domestic services, putting a dent in our year end numbers, coming as it did so late in the financial year.

However, despite all of these factors, the airport still achieved a new passenger throughput record of 7.3 million passengers (+3.7%). This was helped by very healthy demand internationally (+4.1%), aided by the unprecedented high exchange rates and a return to growth in the regional travel segment (+11.6%).

Within the airport itself, work began on our landside infrastructure project, including a multi-level car park, new internal road layout and pedestrian plaza - all of which will be completed in calendar year 2012. Enabling works for this project have included the relocation of the General Aviation facility, demolition and relocation of Toll Dnata freight and DHL buildings, plus relocation of part of TAE and all of World Couriers operations.

Within the terminal (T1) itself, Qantas new-generation self check-in facilities have been fully installed, as have Jetstar kiosks. Work is in hand for some minor improvements to the Customs and Border Protection Service areas and a number of changes to retail tenancies are under way to allow additional outlets in the area.

The new Control Tower for Airservices Australia is well under way and will be completed later this year, and a new radar system was recently commissioned. A full resurfacing of both runways, all taxiways and a number of our aprons - the biggest such project undertaken in Australia - was completed on time and within

budget - all of which should improve safety for aircraft landing at and departing from the airport.

Extensive negotiations have concluded for the new AFP office, with construction set to begin in the latter half of 2011, while construction of the Boart Longyear facility, the latest development in the Burbridge Business Park, has been completed and the building now occupied.

Looking to the future, international traffic looks set to continue the current growth, based on the recent successful increase in services to Kuala Lumpur with Malaysia Airlines, additional non-stop capacity to Hong Kong with Cathay Pacific and expansion of Bali services with Virgin Australia.

Domestically, the situation is harder to predict given the recent problems experienced by Tiger, countered by the ambitions of existing operators and Air Australia. Regionally, continued growth is anticipated, particularly driven by an increase in mining and exploration.

However, we have yet to gauge the longer term impact of the Carbon Tax and continued volatility of the financial markets, and will have to monitor their impact on demand.

Work is well under way on the fresh Parafield Master Plan (due to be completed next May) where a number of new initiatives, including our relationship with the local council and community, will be revealed.

Construction work will continue on the existing projects mentioned, hopefully followed soon after by the expansion of T1, a new hotel, and possible new aeronautical support facilities and commercial premises.

Inevitably, there will be times when the work in progress will impact on passengers and staff progress through the airport, despite our best endeavours. We ask everyone to be patient during this period, and we will keep people informed of the latest developments at all times.

We confidently predict the end result will be significantly impressive enough to keep us towards the top of those airports considered to be the best in country.



Phil Baker



Managing Director - Phil Baker



BOARD - Seated - David Munt, Phil Baker, John Ward. Standing - Chris McArthur, Alan Mulgrew, Anne Howe, Jim Tolhurst, Jay Hogan.



EXECUTIVES - Seated - Sue Doyle, Phil Baker, Mark Young. Standing - Malcolm Andrews, Len Goff, Vince Scanlon, Ken May, John McArdle.

BOARD OF DIRECTORS

David Munt LL.B(Hons)

Non Executive Director and Chairman, appointed 30 June 2004

- Chair of the Board
- Member of the Property Development Committee
- Member of the Aeronautical & Related Infrastructure Committee
- Ex-officio member of the Audit & Compliance Committee
- Ex-officio member of the Remuneration Committee

Phil Baker FCILT, FAICD

Managing Director, appointed 24 April 1998

- Managing Director
- Member of the Property Development Committee
- Member of the Aeronautical & Related Infrastructure Committee

John Ward BSC, FAICD, FAIM, FCILT

Non Executive Director, appointed 28 August 2002

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

Chris McArthur B.Eng., MBA, GAICD

Non Executive Director, appointed 30 March 2011

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

Alan Mulgrew BA, GRAICD, JP

Non Executive Director, appointed 6 September 2006

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

Anne Howe MAICD

Non Executive Director, appointed 29 June 2011

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

Jim Tolhurst B.COMM, MBA, FCPA, FCIS, FAICD

Non Executive Director, appointed 29 September 2004

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

Jay Hogan MBA, AFAMI, JP

Non Executive Director, appointed 29 July 2009

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

EXECUTIVES

Phil Baker - Managing Director

Executive Team Leader and full Board Member responsible for implementing group strategies and policies.

Mark Young - Chief Financial Officer

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

Sue Doyle - General Manager People and Culture

Responsible for Human Resources, industrial relations, staff training and development, occupational health & safety, service quality, internal branding and executive and administrative services.

Malcolm Andrews - General Manager Business Development

Responsible for route marketing and development, airline liaison, customer relations, facilitation, product enhancement and ground transportation.

Len Goff - Company Secretary

Responsible for Corporate administration, accounting, statutory and regulatory financial reporting.

Vince Scanlon - General Manager Airport Operations

Responsible for legislative compliance for aviation safety and security, terminals and car park operations, facility management of assets and infrastructure, project management, engineering and infrastructure development of both aviation and commercial developments.

Ken May - General Manager Property

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

John McArdle - General Manager Corporate Affairs

Manages, interprets and facilitates the community consultation, communication regulatory and statutory responsibilities towards Master Planning. Facilitates corporate risk policy, sustainability, business continuity and review.

OPERATIONS

Aeronautical traffic performance

	Financial Year 1998/99	Financial Year 2009/10	Financial Year 2010/11	Change this Year %	Change last 12 Years %
Passengers					
Domestic*	3,442,159	6,040,735	6,218,077	2.9%	80.6%
International**	279,081	586,990	592,619	1.0%	112.3%
Regional	371,904	525,152	586,142	11.6%	57.69%
Total PAX	4,093,144	7,152,477	7,396,838	3.4%	80.7%
Aircraft Movements					
Regular Public Transport	74,172	75,412	76,647	1.5%	3.3%
General Aviation	36,802	22,035	23,242	5.5%	- 36.8%
Total Aircraft Movements	110,974	97,537	99,989	2.4%	- 10.0%
Landed Tonnes					
Total Landed Tonnes	1,672,105	2,250,785	2,344,618	-4.2%	40.2%

*Includes Domestic On Carriage ** Includes Transits

Freight

	Export Tonnes	Variations	Import Tonnes	Variations
January - December 05	7,818	= 8.3%	9,075	= 15.1%
January - December 06	9,379	= 19.9%	10,039	= 0.6%
January - December 07	8,582	= -8.5%	9,090	= -9.4%
January - December 08	10,113	= 17.8%	9,340	= 2.7%
January - December 09	11,719	= 15.9%	9,017	= -0.03%
January - December 10	9,263	= -20.9%	9,230	= 2.4%

Despite the man-made and natural disasters that impacted on the aviation industry in general and referred to earlier in this publication, Adelaide Airport fared well:

- Sustained traffic growth exceeding 7.3 million passengers
- Continuation of China Southern charter program and introduction of Vietnam Airlines charters to Ho Chi Minh City.

Total passenger activity grew at 3.4 per cent, an improvement on the previous year and despite the significant impact of the Chilean volcanic ash cloud which affected Adelaide Airport so adversely during the month of June.

International Markets

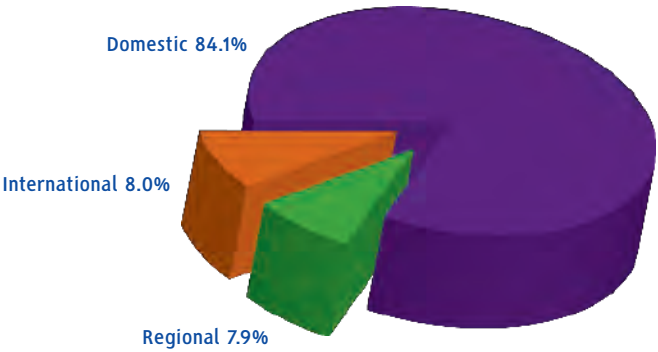
The market grew by 1.0 per cent overall for the year, linked in part to the introduction of additional services to Kuala Lumpur and Denpasar (Bali) and continued growth across the international network.

In our quest to increase non-stop international services to and from Adelaide, AAL continues to work with our existing carriers who serve Auckland, Denpasar, Hong Kong, Kuala Lumpur and Singapore, whilst maintaining close relationships with carriers from China, UAE, Thailand, Vietnam and USA, amongst others, with an aim for these countries to be served by direct flights in the future.



First crew - pilots trained at Parafield

However, potential opportunities afforded by the Federal Government’s Enhanced Regional Benefits Package as detailed in the National Aviation Policy Statement - the Aviation White Paper aimed at encouraging airlines to fly to Adelaide, have not so far materialised.





A380 - Diversion June 2011

OPERATIONS CONTINUED

Domestic Markets

The influence of airspace closures due to the Chilean volcanic activity saw a relatively disappointing end to the financial year with overall growth of 2.9 per cent.

During the year Tiger reduced their network, withdrawing from Brisbane, Gold Coast and Hobart, operated to Avalon (Melbourne) for a short period before withdrawing, finally to concentrate their services exclusively on Melbourne (Tullamarine) and Sydney.

Regional Market

The regional market bounced back from a disappointing year previously. The re-emergence of stronger regional activity continued throughout the year with comparative gains on a month-by-month basis as high as 18.7 per cent in September and 17.7 per cent in February, delivering overall growth of 11.6 per cent for the full year.

With the development of the fly-in/fly-out traffic, notably to Olympic Dam, Moomba and Prominent Hill, and the continuation in exploration and new mining activity across the State, indications are that activity in the regional sector will continue to show healthy growth.

Quality of Service

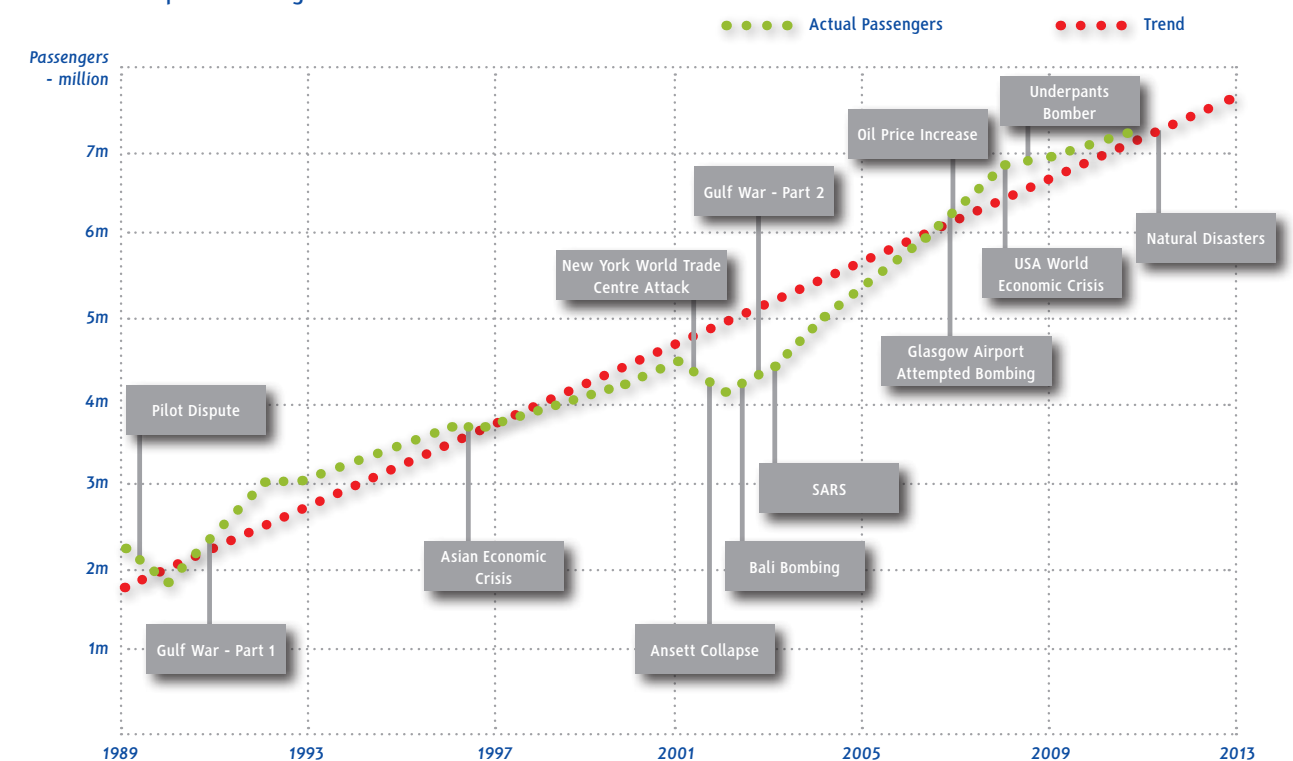
AAL avails itself of the Airports Council International Quality of Service survey and reporting service and once again has continued to rate highly amongst our peer group. Within Australia, we are at the top of the ratings for the greater majority of the measures taken.

We attribute this continued high performance to our internal monitoring and assistance program with other agencies and tenancies within the terminal in a Team T1 approach.

Unique to the majority of Australia's airports, we are truly a multi-user integrated facility and are judged by all users - international, domestic, regional and charter passengers.

We remain focused on this high standard and have tasked an Executive Manager to champion the outcomes.

Adelaide Airport Passenger Movements



PROPERTY

Terminal 1 Retailing and Concessions

During the financial year a number of tenancy variations and refurbishments were completed to the shops and concessions in Terminal 1, including the following:

- A reconfiguration of the TRS Booth and a new fitout of the Travelex Currency Exchange in August 2010
- New murals installed for Cibo (Net Kiosk Area) and Hungry Jack's and new seating completed for Hungry Jack's and within the Terra Rosa Café
- The refurbishment of Hudsons Coffee on Level 02 in March 2011, catering for over 40 per cent increase in seating and tables
- A similar refurbishment of Hudsons Café adjacent to International Arrivals on the ground floor in May 2011, also including the revamping of internal and external seating areas
- Tenancy refurbishment of Billie Chu Asian Restaurant in April 2011.
- A new Playtec children's play area designed for placement alongside Smiggle and Hudsons Coffee on Level 02

Also within Terminal 1, after 5 years of operation, lease renewals were negotiated for various retail shops including Shades, Cocolat, Coopers General Store, plus all border agency tenancies and for Singapore Airlines and Jetstar. The T1 Eyecorp advertising contract was extended until the end of 2012 pending a review of overall advertising content at the airport stemming from the new multi-level car park and roadway re-configuration now under way.

For the fifth successive year 'T1 Shopping' was awarded Property Council of Australia "Excellence in Marketing" Awards for Shopping Centres less than 10,000m², directed at Centre Integration (Finding a way to Retail Success) and a Marketing Campaign (Win a Pandaventure). A Commendation Award for Excellence in Presentation was also presented in recognition of general ambience and terminal cleanliness.

'T1 Shopping' continued its theme of vibrancy, the cultural experience of South Australia and a venue for relaxation during dwell times. Regular entertainment within the retail concourse included acoustic guitarists, Christmas choirs, pianists, artists and event displays - all based upon 'Make the Most of the Moment' and 'Make Time Fly'.

Terminals Precinct

Arrangements were concluded for a number of strategic lease surrenders to facilitate the future development of roadway re-configurations associated with the new multi-level car park. The relocation of DHL Express was completed in December 2010 to the Airport East Precinct as part of this process. Similarly, Toll Dnata surrendered its nearby freight complex lease and relocated to Export Park and Burbridge Business Park in October 2010.

Additionally, with the operation of the new roundabout at Frank Collopy Court/James Schofield Drive, TAE agreed to a land swap in December 2010, including arrangements for the construction of a new workshop due for completion in late 2011. Other relocations included World Courier to Export Park, removal of several Eyecorp Advertising billboards and the transfer of staff car parking to alternate sites.

The General Aviation Terminal was relocated in September 2010 allowing Air South and Dick Lang Air Safaris to operate adjacent to the Qantas hangar with improved apron accessibility.

Commercial arrangements were concluded with the Australian Federal Police for the pre-commitment lease of a new 2,400m² energy-rated office development, which is to be located at Export Park facing Sir Richard Williams Avenue. The building contract was awarded to Sarah Constructions in June 2010, and construction completion is due in mid 2012.

After earlier acquisition of the Airport Cold Store structure and further leases to Bidvest and Pakfresh, the building refrigeration equipment was completely upgraded by December 2010, which included replacement of ozone depleting refrigerant gas. The premises have been repainted with new wet areas installed making it suitable for multiple occupancy.



Boart Longyear - Headquarters



Manuele Engineers

MANUELE ENGINEERS COMPLETES ITS NEW WAREHOUSE AND HEADQUARTERS ON THE SOUTHERN EDGE OF THE AIRPORT.

PROPERTY CONTINUED

Burbridge Precinct

A 7,000m² Office and Technological Warehouse was constructed by Australand/CIP in Burbridge Business Park, transferred to the Ascot Group upon completion and occupied by Boart Longyear from June 2011. AAL arranged associated roadway and services infrastructure to meet the new development requirements.

Also within Burbridge Business Park, TNT took up occupancy in August 2010 of a new 5500m² office/warehousing facility adjoining Agility.

Patawalonga Precinct

Refinement of design parameters for stormwater detention facilities were progressed with the City of West Torrens, including the terms of a Site Licence Agreement, to enable flood mitigation measures to be put in place to service the nearby West Beach residential area.

The Mobil Petrol Station was assigned to the Shahin Group of Companies, as part of the "On-the-Run" Convenience Stores.

Holdfast Precinct

Arrangements were concluded in October 2010 with SA Water for the development of an Aquifer Storage Recovery water harvesting scheme along the southern side of Adelaide Airport. Following receipt of a \$9.7 million grant, SA Water is completing design variations to optimise the stormwater network. Works will commence following completion of its design and tender brief for the 400 mega litre system, which will primarily service Adelaide Airport.

Morphett Precinct

Construction of the 18,000m² steel fabrication complex for Manuele Engineers on its new 4.5 hectare site facing Morphett Road and James Melrose Road was completed in April 2011. The premises have state-of-the-art facilities and a striking steel facade to the offices.

Airport East

Refurbishment works were completed on an office/warehouse complex for the occupancy of DHL Express adjacent to Richmond Road. These works were completed in October 2010 and final occupancy was undertaken in November 2010, with subsequent enhancements also undertaken by way of a new portico and landscaping.

Arrangements were concluded with Airservices Australia for handing back the former Non-Directional Beacon (NDB) located

off of Transport Avenue, Netley, thereby releasing 10 hectares of industrial land, which is included in the State Government Housing and Employment - Land Supply Program Report 2010 for development-ready land.

Arrangements were also made for new fibre optic cabling to be positioned throughout the airside area of the airport by Airservices Australia, formalised a new Site Licence Agreement. The fibre optic cabling will service the new control tower, which commenced construction in the Terminals Precinct during the past year, and will be completed in 2012.

At West Richmond, AAL acquired a residence and adjoining land that accommodates aircraft approach lighting easements, to provide future flexibility for any future changes to runway approach lighting arrays in the vicinity.

Parafield Airport

The Parafield Airport Master Planning process commenced in 2011 with significant work being undertaken in relation to surface traffic access and land use planning, taking into account that the airport is duly recognised in the State Government's 30 Year Plan for Metropolitan Adelaide as a specialist Activity Centre, with the Commercial Estate Precinct classified as a strategic Bulky Goods Centre.

In the Central Precinct, substantial repainting and repairs were undertaken to Hangar 55 as a precursor to further upgrading later in 2011. The building is occupied by the University of South Australia Aviation Academy and Gulfstream Aviation.

The Parafield Airport Aquifer Storage and Recovery scheme continues to extend its network of distribution pipes, enabling recycled water supply to more than 100 sites, including schools, sporting grounds and community facilities across the City of Salisbury and neighbouring council districts of Tea Tree Gully, Playford and Port Adelaide Enfield. Take-off points have also been installed within the airport to permit access to this recycled resource for existing and future airport developments.

The Haggie Clearance Centre has opened a new retail shop in the Commercial Estate and the Big Bucket Car Wash has installed a new car/truck wash facility.

City of Holdfast Bay's New Year's Eve Family Fireworks are made possible through the support of Adelaide Airport Limited.

FINANCIAL PERFORMANCE

Financial Performance Report

	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000
Income Statement					
Revenue					
Aeronautical	69,570	75,431	79,209	81,862	84,157
Commercial trading revenue	23,876	27,504	28,124	30,344	31,823
Property Revenue	24,556	27,442	30,834	32,758	34,092
Other Revenue	1,393	3,515	1,676	1,678	1,989
Other Income	874	734	2,504	833	798
Total Revenue ^{#1}	120,269	134,626	142,348	147,475	152,859
Increments/(decrements) in fair value of investment properties	7,803	21,100	(10,039)	12,632	9,713
Operating Expenses	(45,521)	(51,465)	(55,267)	(55,908)	(59,844)
EBITDA	82,551	104,261	77,042	104,199	102,728
EBITDA (Adj) ^{#2}	74,748	83,161	87,081	91,567	93,015
Margin	62.2%	61.8%	61.2%	61.4%	60.8%
Depreciation and amortisation	(17,825)	(18,015)	(19,263)	(17,808)	(14,962)
EBIT	64,726	86,246	57,779	86,391	87,766
Borrowing Costs					
Interest on senior debt, net of interest income	(31,601)	(32,212)	(33,781)	(36,374)	(38,398)
Interest on Airport Notes/Dividends on RPS	28,285	(28,362)	(28,284)	(28,284)	(28,284)
Net Profit/(Loss) Before Tax	4,840	25,672	(4,286)	21,733	21,084
Income Tax (Expense) Benefit	(4,383)	(10,214)	45	(6,465)	(4,791)
Net Profit/(Loss) After Tax	457	15,458	(4,241)	15,268	16,293

^{#1} Revenue presented above excludes interest revenue ^{#2} excludes adjustment in fair value of investment properties

Some noteworthy aspects are:

- Revenue, excludes interest - \$152.9 million (last year \$147.5 million).
- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties - \$93.0 million (last year \$91.6 million) an increase of 1.6%.
- Net profit before tax of \$21.1 million (last year net profit before tax of \$21.7 million). Excluding the fair value adjustment for investment properties the net profit before tax this year is \$11.4 million (last year \$9.1 million).
- Dividends on redeemable preference shares \$28.3 million (last year \$28.3 million).
- Increase in fair value of investment properties of \$9.7 million (last year increase of \$12.6 million).
- Credit Rating - Moody's maintained at Baa2 / stable; S&P maintained at BBB / stable.

- Significant progress made on major capital expenditure projects, including the runway overlay and landside infrastructure project.
- Successful completion of the most recent round of re-financing activity

Cash Flow

After funding interest on borrowings and dividends on RPS, cash flow from operating activities was a positive \$31.7 million (last year \$31.1 million).

After funding capital expenditure, a net increase of \$23.7 million resulted in cash balances at year end of \$89.4 million (last year \$73.1 million). Of this balance \$12.1 million (last year \$11.3 million) is quarantined in a debt service reserve account.



Parafield - ABaSS and Tower



Adelaide Runway 05

ADELAIDE AIRPORT'S RUNWAYS AND TAXIWAYS ARE RESURFACED WITH ENOUGH BITUMEN TO RESEAL A 40KM STRETCH OF HIGHWAY.

FINANCIAL PERFORMANCE CONTINUED

Balance Sheet

Year ended 30 June	2010 (\$million)	2011 (\$million)
Cash	73.1	89.4
Total Assets	895.6	957.7
Interest Bearing Liabilities (excl stapled securities)	526.6	559.5
Total Liabilities (excl stapled securities)	646.8	689.4
Total Equity (plus stapled securities)	248.8	268.2

There has been an increase in net assets resulting from:

- An increase in cash as outlined above
- An increase in the fair value of Investment Property of \$9.7 million
- An increase in Property, Plant and Equipment being the net impact of asset additions / disposals and depreciation

With respect to the increase in the fair value of investment properties, it is important to note that there are no cash flow implications associated with these accounting adjustments and that investment properties are held for the full term of the Airport Lease and are not stock held for resale.

The Group's total of equity and RPS (being stapled securities) stands at \$268.2 million at the end of the year (last year \$248.8 million).

Other Matters

Capital Structure

Issue	Amount (\$million)	Term
Medium Term Note (\$100m fixed interest)	\$265.0	Sep 2016
Medium Term Note (\$285m floating interest)	\$285.0	Sep 2015
Term Bank Facility (Floating interest \$104m available at year end)	\$120.0	Dec 2013
Working Capital Facility (\$20.0m available at year end)	\$20.0	Dec 2011
RPS	\$188.6	Jun 2014

The working capital facility expires in December 2011.

Interest Rate Management

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

The Group has effectively fixed the interest rate on approximately 84% of outstanding debt (exposed to variable interest rates) to December 2015 with approximately 40% fixed thereafter to September 2016.

Average fixed interest rate paid was 6.3% (last year 6.5%).

Ratings

The long term finance strategy of the Group continues to be reviewed by the rating agencies, Standard and Poors and Moody's. The BBB / stable and Baa2 / stable ratings have been maintained.

Annual Report for the 12 Months to 30 June 2011

The Annual Report for the 12 Months to 30 June 2011 comprising:

- director's report
- auditors independence declaration
- financial report
- director's declaration
- independent auditors report to members

is available on the company's website www.adelaideairport.com.au. Alternatively a copy may be obtained from the Company Secretary.

AAL is a proud partner of Tauondi College, which seeks to balance teaching and education for aboriginal people.

PARAFIELD AIRPORT



Parafield Airport

With a clear vision of improving engagement with the local residential community, Parafield Airport has invested in a program of consultation through the year.

All residents living in suburbs surrounding the airport received a copy of a community information booklet, designed to provide details about aircraft movements, flight training practices, circuit patterns and noise concern and complaint reporting.

In addition, Mawson Lakes now has representation on the airport consultative committee through the Mawson Lakes Progress Association.

A key issue in the Federal Transport Minister's decision not to approve the 2009 Master Plan was the lack of accurate statistical data on aircraft movements at Parafield. The Aircraft Billing and Surveillance System (ABaSS) installed in May 2010 has now

gathered a full 12 months of data, which is being matched with data records from Airservices Australia (via the control tower) and aircraft operators at Parafield.

Analysis of this data will result in the best and most accurate flight activity recording at Parafield Airport 24 hours a day, 7 days a week. Parafield Airport Ltd (PAL) will use this information to provide better information to all stakeholders about flying activity, frequency and timings.

Through our cooperation with Airservices Australia, PAL has been able to better assess actual tracking of arrival, departure and circuit in the Parafield centre. PAL will further engage the community during the Master Plan public consultation process and provide comprehensive information on aircraft movements focusing particularly on the regular circuit movements and their variations.

Traditional Australian Noise Exposure Forecast (ANEF) and flight path lines on maps can be misleading as actual flight paths vary for many reasons, including the direction and velocity of the wind, the differing performance of aircraft type and air traffic control management requiring safe separation.

The local community has been saying for years that they have experienced over-flight activity and associated noise more than the ANEF and flight path lines indicate. In late 2010, a sub-committee to the Parafield Airport Consultative Committee - an aviation technical working group - was formed and commenced development of the Parafield Airport Fly Friendly Policy to provide best practice guidelines for operators of aircraft in the Parafield area. This includes an associated information package providing details and explanation

of flight activity, mostly focussed on the high volume of training flights in the Parafield area.

Flight training numbers are steadily increasing as world aviation continues to recover from the effect of the global financial crisis. However, future changes to flight training practices may see a reduction in actual flying replaced by increased simulator time.

Upgrading of aviation facilities including three large hangars, and aerodrome maintenance for taxiways and aprons, were completed during the year. Other projects for development of the aerodrome and the building area are currently in the planning stage.

Commercial development remains generally positive. The future outlook remains very strong with a large amount of land zoned for development close to Adelaide's increasing northern suburbs population.

ENVIRONMENTAL SUSTAINABILITY

AAL's approach to environmental management has continued to evolve towards holistic sustainable business practice whilst maintaining our impeccable regulatory compliance record.

As described in the company's Sustainability Policy, our corporate vision and ongoing success is founded on building and maintaining the three pillars of responsible business practice - sustainable financial, environmental and social management.

Having commenced the second year of the company's five-year Sustainability Plan for Adelaide Airport, AAL has demonstrated substantial progress against its committed objectives and goals in areas such as waste management, energy management and sustainable development to name a few.

The past year has seen the launch of a public space recycling scheme for Terminal 1. All waste receptacles have been modified to accept three streams - general waste, paper/cardboard and drink containers - with a unique design to match the interior look and feel of the Terminal 1 building.

To communicate the recycling message, the scheme has been accompanied by an interactive, walk-through interpretive display in the main concourse and activity sheets for children.

AAL's three-year Clean Energy Partnership with the University of Adelaide's Centre for Energy Technology commenced in earnest with key projects aiming to identify energy efficiency gains through detailed modeling and assessment of Terminal 1's heating, ventilation and air conditioning system.

Sustainable building principles have been incorporated into the design of major AAL developments, namely the future Australian Federal Police building and multi-level car park currently under construction.

The former is slated to be a 4-star Green Star development and the car park will showcase a number of sustainability features including rooftop stormwater capture and re-use, efficient lighting and state-of-the-art wayfinding technology to reduce vehicle circulation times.



Phil Baker, Professor Gus Nathan and Minister Pat Conlon

AAL has met all legislative compliance obligations set under the *Airports Act 1996* and *Airports (Environment Protection) Regulations 1997*, monitored by the Department of Infrastructure and Transport's Airport Environment Officer (AEO).

Furthermore, in the past year no actions by AAL operators or lessees have resulted in Authorisations or Environmental Protection Orders being issued by the AEO. A directive handed to ExxonMobil by the AEO in 2008/09, in relation to localised groundwater contamination, was

carried over into the 2010/11 and is being adhered to in the form of an expanded site management program. A directive handed to Tasman Aviation Enterprises in 2009/10, also in relation to localised groundwater contamination, remains active.

PEOPLE AND CULTURE

Throughout 2010/11, AAL has continued to build a strong learning culture, with a focus this year on expanding the reach of learning opportunities beyond the already well established business and leadership programs and into operational areas of the business. We have also focused on inclusion and sharing in order to make a difference in other people's lives, which has enhanced support to the wider community through staff interaction.

In collaboration with the Transport and Logistics Skills Council, industry specialists and national training providers, AAL has provided its entire Airside Safety Team with the opportunity to achieve a Certificate in Aviation - Ground Operations.

The qualification was facilitated via a combination of face-to-face and online learning coupled with practical on site assessment, which suited the operational nature of the AAL Airside Safety officers who participated. This approach proved highly successful and allowed AAL to 'get the jump' on recently released CASA best practice recommendations. This initiative also highlighted the professionalism of the AAL Airside Safety Team in their approach to their work and their learning. AAL will continue to build and broaden its offerings to meet the needs of the business and its staff across all departments.

Also during the year, a section of our staff volunteered their time to work within the community and nominated to become involve in the Salvation Army's K-Mart Wishing Tree Appeal program. They 'pulled up their sleeves' and assisted with the unwrapping and sorting of many thousands of gifts donated to help families in need. This community service was a most enlightening, fulfilling and rewarding experience for those who participated, and one which left them with great sense of achievement.

AAL also became involved in the 'Employ Ability' program, which has enhanced our existing positive and inclusive team culture. This program involved the support of an individual with a disability to be part of the community by way of employment in the mainstream workforce. We were fortunate enough to appoint a new employee to our team, Todd Brine, Office Assistant. Todd assists the Administrative and Finance team on a part time basis in the Management Centre. We were introduced

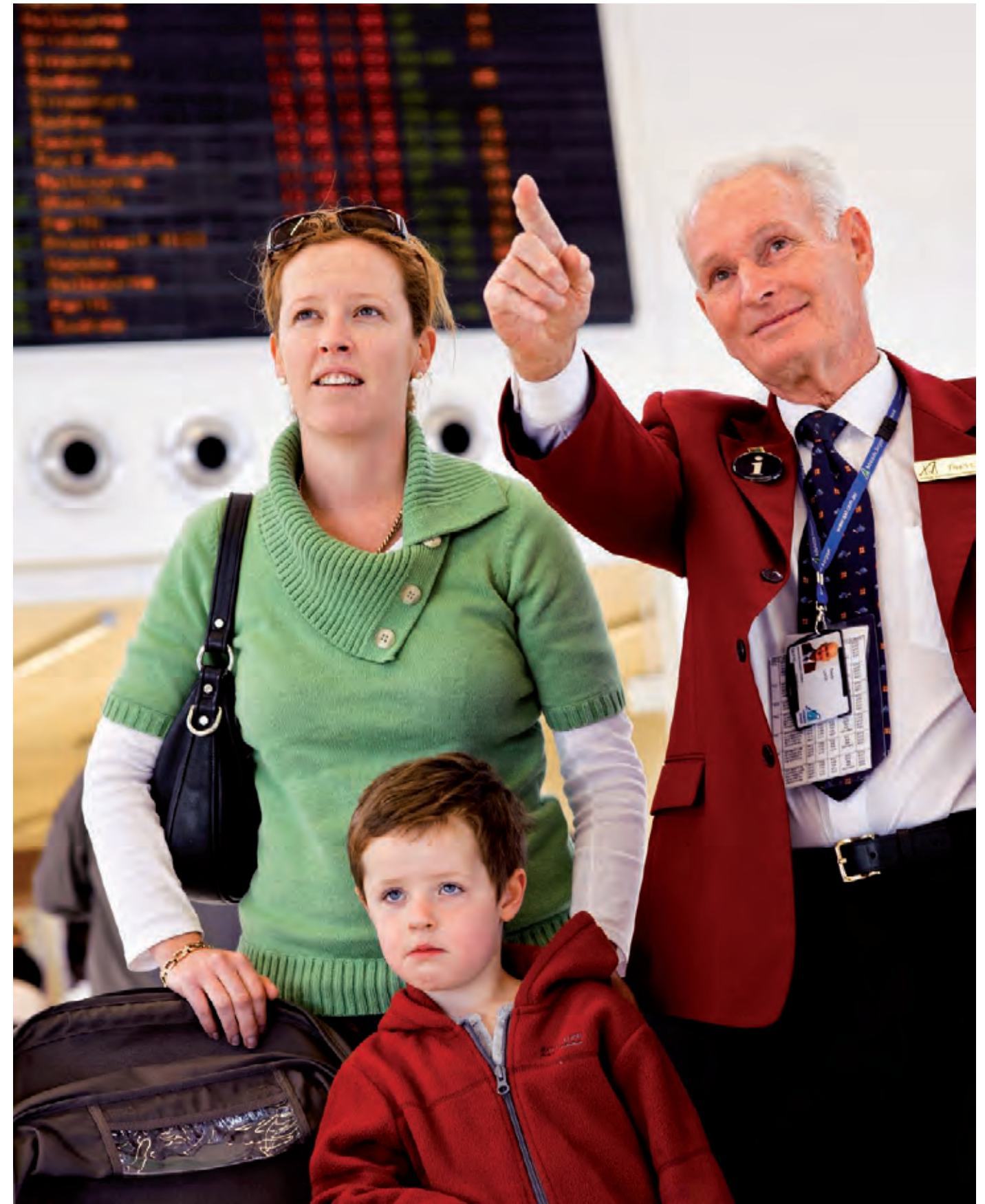
to Todd by the organisation 'Personnel Employment', which specialises in finding employment for people with disabilities.

AAL continued to partner with Tauondi College, offering Business and IT students the opportunity to see how their learning translates into work in a real workplace. AAL also assisted a Tauondi Virtual Enterprise student with sponsorship, which enabled her to represent the college at the Virtual Enterprise Trade Fair in New York.

In the true spirit of reciprocity, Tauondi students and staff hosted a group of AAL staff at the college, allowing them to get a first-hand experience of Indigenous history and culture topped off by a wonderful lunch provided by Tauondi hospitality students.

We have also taken our Special Assistance Information program a couple of steps further. We were ahead of the game in meeting the Federal Government's expectations that airport operators have a Disability Access Facilitation Plan, which we have enhanced through consultation with the Disability Information Resource Centre (DIRC) and developed a user friendly brochure which is also available in Braille for the vision impaired. Additionally, we have laid the foundations for an Assistance Animal relief station in close proximity to our main terminal T1.

Staff activities, where they volunteer for community service, continue to be a high priority and we were particularly impressed with our terminal ambassadors and the goodwill they share, and to our 'bikie' staff who participated in the Christmas Toy Run through the Adelaide Hills.



T1 Ambassador - Trevor

COMMUNICATION/COMMUNITY



Major Benefactor - RFDs

Adelaide Airport is South Australia's major gateway, located between the City and the sea, and as such plays an important role in creating visitors' early impressions of our State.

AAL builds enduring relationships with its key stakeholders, maintaining an active and open communication platform with the relevant tourism, trade and government authorities to enhance the State's profile both interstate and overseas, which in turn creates additional business opportunities for the airport.

The primary stakeholders for AAL include Federal, State and local governments, airport users (customers), on-airport tenants (including retailers), airlines and investors. Each of these stakeholders is critical to the successful operation of the airport.

Other stakeholders include nearby residents, exporters and importers, tourism operators, business and employer groups, and the wider community.

As a company, AAL builds enduring and mutually beneficial relationships with all stakeholders so that our actions and wider commitments to the community reflect our values.

During the year under review, AAL has been encouraged by the fact its consultative and communications programs have proven to be effective and have set new benchmarks. This has been evidenced by documents recently released by the Federal Government as guidelines on community

consultation and guidelines for development of master plans, which have directly reflected the practices of AAL over the past 13 years.

In addition to communications with primary stakeholders, domestic and overseas publications are used appropriately to promote key company initiatives across all areas of the business. These initiatives range from planning and development through to environmental sustainability and community engagement.



Riddoch Library - Junior Art Sponsorship

COMMUNICATION/COMMUNITY CONTINUED

We have been particularly pleased with the outcomes of our consultation and awareness program relating to the runway and taxiway overlay project, which was communicated through the following forums and media:

- Formal presentations to the Western Adelaide Consultative Group - comprising the Mayors and CEOs of the surrounding five councils;
- Formal presentation to the Adelaide Airport Consultative Committee and Airport Planning Sub Group Committee (Including DoIT representation);
- Regular media releases to the Messenger Press - covering all residences in the affected suburbs;
- Formal presentation to the City of West Torrens elected members and Senior Executive at a Council meeting;
- Formal letters of explanation and offer to provide explanatory presentation to the Cities of Holdfast Bay, Unley, Mitcham, West Torrens and Charles Sturt;
- Public awareness meeting chaired by Mayor John Trainer and supported by AAL Executive in September 2010;
- Openly available for talk back radio discussions;
- AAL's website; and
- AAL's Plane Talking newsletter.

The communications program was maintained throughout the six and a half months of the project and was rewarded with a letter of commendation from the Netley Residents Group. In addition, the project itself has been nominated and won several awards for excellence.

Another initiative introduced during the year has been a comprehensive social media monitoring and activity program. This has proven to be particularly useful in dispelling incorrect messages during the volcanic ash disturbances.

AAL maintains a disciplined media policy designed to determine the way in which it communicates with the news media and, through the media, the broader community.

The company limits media comment to the Managing Director and General Manager, Corporate Affairs, who are supported by public relations firm, Hughes Public Relations. Ultimate responsibility for media relations rests with the Managing Director.

Throughout the year, AAL has continued to build its partnership with the community through its three pillars of focus. These pillars are:

- Community and specifically opportunities afforded to encourage participation and engagement in sport and cultural development;
- Business and Tourism - building the State's platform for a prosperous economy that is outward thinking; and
- Environmental Sustainability through the manner in which we value and support the community we operate in, particularly sustainability initiatives and the people who make them happen.

CORPORATE GOVERNANCE

AAL and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

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

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

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

Board composition

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

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

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

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

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

Board responsibilities

The responsibilities of the Board include:

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

Board members

Details of members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' report under the heading "Information on Directors". There are six non-executive Directors, one executive Director and one alternate non-executive Director.

Directors independence

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

Non-executive Directors

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

Term of office

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

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

Chairman

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

Managing Director

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

Commitment

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

The current practice is to hold a minimum of 10 meetings per annum.

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

Conflicts of Interests

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

Independent Professional Advice

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

CORPORATE GOVERNANCE CONTINUED

Performance Assessment

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

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

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

Corporate Reporting

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

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

Board Committees

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

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

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

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

External Auditors

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

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

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

Risk assessment and management

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

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

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

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

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

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

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

Diversity

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

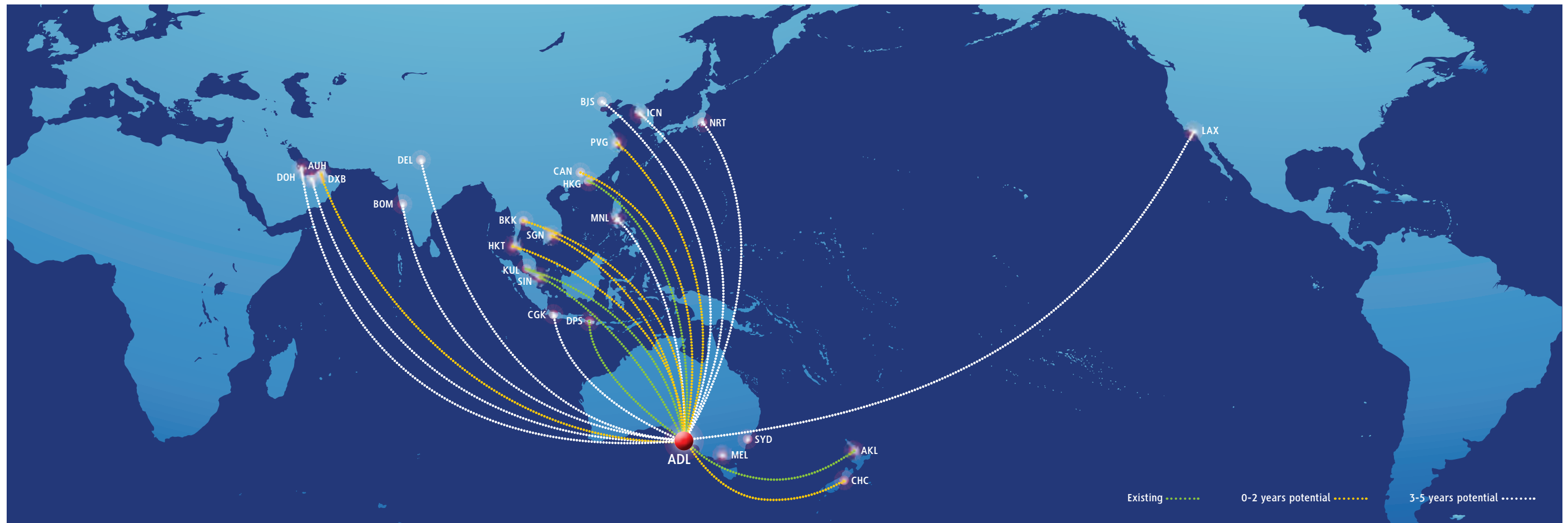
Code of Conduct

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

Shareholder communication

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

THE FUTURE



Projected New Routes

In AAL's first 13 years of operation, total passenger numbers have exceeded all expectations and there is every indication that, despite man-made and natural impediments, this growth will continue into the future.

We are confident that with the projects identified below, together with our sustainability and infrastructure planning, we will meet the future challenges of operating one of Australia's major airports in a safe, secure and efficient manner.

The acceptance of low-cost carriers (LCC), the opening of new route pairs, the changing market share and mode of operation of a previous LCC, together with the acceptance of these changes by the general public shows that aviation is the transport medium of the "now" society.

In preparing for this growth, AAL is bringing to fruition significant landside infrastructure to maintain its service level to the travelling public, building in access and egress redundancy and improving safety and security for 'front of house' activities.

Commencing in 2010/11 and to be completed in 2012, this project will facilitate a proposed expansion of T1's northern and southern aprons, along with significant internal modifications including relocating office accommodation to enhance the international baggage reclaim, expansion of the International Concourse and Customs Hall, and providing space for advanced screening technologies.

While interest in the construction of an international standard hotel has not materialised due in part to the Global Financial Crisis (GFC), the concept and approval process is still current.

Airservices Australia is well advanced with the construction of a new Control Tower, and following some "shadowing/ghosting" operations and technical fit-out, it will be operational in early 2012. The new terminal area RADAR has been completed and commissioned, improving access to Adelaide Airport.

South Australia's unprecedented resources growth has the propensity to quickly absorb all available labour over the next few years.

As evidenced above, Adelaide Airport is planning for this future growth, which we anticipate will not only come from interstate or domestic services but international fly-in fly-out services as well.

South Australia also continues to hit above its weight in attracting international students to its tertiary institutions and also the flight training facilities at Parafield Airport. This is another growth area that

is adding support to our future construction and development programs.

The Tour Down Under, Festival of Arts, Fringe Festival, Womadelaide and many other world class events also add to the demand for efficient, state-of-the-art airport facilities.

We are actively encouraging the take up of the Federal Government Enhanced Regional Assistance Package that enables international carriers virtual open skies to regional ports such as Adelaide. So far the package has not been well known or supported, but our participation in an international research and communication project should see some success through an increase in international carriers and services over the next few years.

AAL monitors these demands and is planning for the future.

AWARDS



Adelaide Airport - Night Skyline

Australian Airports Association
Award for Aviation Excellence
Australian Capital City Airport of the Year - 2006 & 2009

2006 Airports Council International Airport Service Quality Awards
Runner Up – 5-15 million passengers

The Chartered Institute of Logistics & Transport
South Australian Achievement of the Year 2006

Urban Development Institute of Australia, SA Division
2006 Natural Gas & Envestra Award for Excellence
President's Award - Infrastructure Development

The Chartered Institute of Logistics of Transport
2006 South Australian Achiever of the Year - Phil Baker

23rd National Print Awards
Book Printing 4 colours or more
"From Tin Shed to Glass Showcase"

ASI Steel Awards - SA 2006
Architectural Steel Design Award

Property Council of Australia Awards

- **Property Investment Award - Emerging Assets 2007**
- **Excellence in Retail Marketing Awards**
- Centres under 10,000m²
Winner 2006, 2007, 2008, 2009, 2010
- **Environmental Excellence Award - 2009**
- **Presentation Commendation 2010**

Defence Reserves Support Council
Employer of the Year 2009

2011 Project Management Achievement Award
Construction/Engineering less than \$100 million
AAL/BECA for Adelaide Airport Runway and Taxiway Overlay Project

Annual Hungry Jack's National Awards
Store of the Year 2011

WWW.ADELAIDEAIRPORT.COM.AU