

annual report 2011

2012



adelaide airport limited

Adelaide Airport Limited (AAL) is an unlisted public company whose shareholders in the main are Australian Superannuation Funds. AAL was the successful bidder for the rights to lease and operate Adelaide and Parafield Airport for an initial term 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 South Australia and services international, domestic and regional flights with a total passenger throughput (unaudited) in 2011/12 in excess of seven (7.0) million passengers per annum and 98,953 aircraft movements.

Adelaide Airport is located six kilometres due west of the

CBD of Adelaide and two kilometres from the shores of Gulf St Vincent, with Parafield Airport being 19 kilometres 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.

Chairman	David Munt
Managing Director	Mark Young
Directors	Alan Mulgrew James Tolhurst John Ward Jay Hogan Anne Howe Chris McArthur
Solicitors	Thomsons Lawyers
Auditors	Pricewaterhouse Coopers
Shareholders	UniSuper Ltd 49.0% Local Government Superannuation Board 19.5% Colonial First State 15.3% Industry Funds Management 12.8% Perron Investments 3.4%
Subsidiaries	100% Parafield Airport Limited 100% Adelaide Airport Management Limited 100% New Terminal Financing 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

“Having a world class airport as the gateway to your city is very important. I travel a lot internationally and first impressions matter. Adelaide Airport’s quality sets the tone for international visitors. I feel proud greeting people at our airport.”

ANTHONY PAECH, MANAGING DIRECTOR - BEERENBERG FARM

quality



vision

“Our VISION: To be a top tier Airport Business Centre in Asia Pacific recognised for delivering exceptional outcomes to our customers, partners, shareholders and community.”

mission

“Our MISSION: To realise our Vision, we will consistently:

- Nurture strong relationships with our stakeholders;*
- Offer a great customer experience;*
- Develop the expertise of our talented people;*
- Deliver high quality facilities and services that are regarded as best in class, safe, secure and sustainable;*
- Strive for innovative solutions and continuous improvement; and*
- Partner responsibly with our community.”*

values

“Our VALUES:

- A Be ACCOUNTABLE and AUTHENTIC*
- I Conduct ourselves with INTEGRITY*
- R Be RESPONSIVE, EFFICIENT and RESPECTFUL*
- P Take PRIDE in our ACHIEVEMENTS*
- O Be OPEN and FRIENDLY and encourage DIVERSITY*
- R Build RELATIONSHIPS based on trust*
- T Foster great TEAMS”*

contents

CHAIRMAN'S REPORT	02
YEAR IN BRIEF	05
MANAGING DIRECTOR'S REPORT	06
BOARD OF DIRECTORS	08
EXECUTIVES	10
OPERATIONS	13
CUSTOMER FOCUS	17
PROPERTY	18
FINANCIAL PERFORMANCE	22
PARAFIELD AIRPORT	26
ENVIRONMENTAL SUSTAINABILITY	29
PEOPLE AND CULTURE	30
COMMUNITY & COMMUNICATION	33
CORPORATE GOVERNANCE	34
THE FUTURE	38

chairman's report



The past financial year has proven to be one of change, progress and mixed success as uncertain economic conditions continue to constrain aviation growth.

Firstly, dealing with change, I would like to reaffirm formally the company's congratulations and welcome to its new Managing Director, Mark Young, who took up the role in November 2011 after 10 years as the company's Chief Financial Officer.

From the outset, Mark has brought his considerable talents to the task and the benefits of these talents, his depth of experience and intimate knowledge of the airport's operations are already clearly demonstrable.

I also take this opportunity to record the company's sincere thanks to its former Managing Director, Phil Baker, for his outstanding efforts in leading the company from its inception in 1998, and in turning Adelaide Airport into an award winning airport, it being the recipient of the Capital City Airport of the Year Award on three separate occasions. On behalf of the Board of Directors I wish him the very best in his future endeavours.

After a tumultuous 2010/11 largely due to the impact of natural disasters both home and abroad, it was hoped the aviation sector might return to some sense of normality.

In the past financial year, other events such as ongoing global uncertainty and

subdued economic conditions have conspired to keep a lid on passenger growth, with a slight reduction in overall traffic, and in other ways test the resolve and enthusiasm of our customers.

Of note was the lingering effect of Tiger's suspension by the Civil Aviation Safety Authority in June 2011 and the airline's decision not to resume services to Adelaide after being cleared to recommence operations.

Qantas's ongoing industrial issues and its decision to ground its entire fleet in October 2011 also had a significant impact on our operations.

On the positive side, it is a credit to the company that its ongoing prudent decision making and sound investment strategy over many years have played a big part in softening the effects of outside influences such as those mentioned above.

Even more importantly, the company has not wavered from its commitment to undertake further development and to provide our customers with a premium experience. There are no better examples of this commitment than the new car park and pedestrian plaza development, and the construction of a new Australian Federal Police building.

Re-investment in the company's infrastructure continues to be made possible because of its strong balance sheet, our solid financial performance and stable outlook, as re-affirmed by Moody's and Standard & Poor's ratings agencies.

On the regulatory side, an amendment to the Airports Act Regulations following

a Productivity Commission Inquiry into the Economic Regulation of Airport Services means Adelaide Airport will provide reporting on a self-monitored basis after it reports to the Australian Competition and Consumer Commission on the 2011/12 financial year.

Adelaide Airport has continued to build on one of its key strengths, namely its environmental performance. The company has continued to work collaboratively with SA Water on the development of a stormwater aquifer recovery scheme within the airport boundary. The project will have the capacity to harvest up to 350 ML of stormwater per annum for non-potable water use.

The company continues to play a major role in the community by supporting charities, community organisations and sporting clubs. For example the company is a major partner of the SA Amateur Football League which includes naming rights for what is now known as Adelaide Airport Stadium (formerly Thebarton Oval). The company's association with cultural and arts events and institutions is ongoing, and it has strengthened its partnership with the SA Museum, which has resulted in some stunning displays in the main airport terminal, T1.

The company remains confident that notwithstanding any external challenges, its underlying strength and ongoing infrastructure investment will quickly see a return to positive passenger growth with its customers continuing to be offered a premium experience.

"The company hasn't wavered from its commitment to undertake further development and to provide our customers with a premium experience."

DAVID MUNT, CHAIRMAN - ADELAIDE AIRPORT LIMITED

commitment



modern

"It's an excellent modern airport. The new car park is very good, and has made parking a lot easier."

PHIL ROSENTHAL - ROSENTHALS



year in brief

Financial Results

- Revenue, which excludes interest - \$147.0 million (last year \$152.9 million)
- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties - \$83.0 million (last year \$93.0 million)
- Net profit before tax of \$6.7 million (last year net profit before tax of \$21.1 million). Excluding the fair value adjustment for investment properties the net profit before tax this year is \$0.8 million (last year \$11.4 million)
- Dividends on redeemable preference shares \$28.3 million (last year \$28.3 million)
- Increase in fair value of investment properties of \$5.9 million (last year increase of \$9.7 million)
- Credit Rating review - retained Moody's at Baa2 / stable; S&P at BBB / stable

Statutory Compliance

- Safety and Security regulatory audit compliance satisfactorily maintained
- Equal Opportunity for Women in the Workplace compliance satisfactorily maintained
- Productivity Commission inquiry into Economic Regulation of Airport Services recommended Adelaide Airport be excluded from annual mandatory monitoring - amendments to relevant Regulations effective from 1 July 2012. Adelaide Airport has agreed to participate in the second tier reporting process

- DoIT lease review assessment - satisfactory report
- ACCC Quality of Service report - overall quality of service ratings increased with Adelaide Airport rising to second highest ranking
- Productivity Commission inquiry into Economic Regulation of Airport Services recommended Adelaide Airport be excluded from annual mandatory monitoring - amendments to relevant Regulations effective from 1 July 2012. Adelaide Airport has agreed to participate in the second tier reporting process

Airport Operations

- Moderate and sustained traffic growth in the international and regional sectors with domestic realising a slight decline, providing a net result exceeding 7.0 million passengers
- Overlay project successfully completed at Adelaide Airport
- Reviewed and lodged Parafield Airport Draft Master Plan with Federal Minister following an extensive community consultation program
- Stages 1 and 2 of the Landside Infrastructure Project - roads and multi-level car park - completed

Property Development

- Relocation of car rental ready bays to the ground floor of the multi-level car park and letting of new five-year concessions, incorporating new entrant Red Spot Sixt
- AFP office construction, being the first environmentally rated office premises at Adelaide Airport, (attaining 4½ NABERS, 4 Green Star).

- Development of a new TAE Engine Test Cell Workshop adjacent to the new roundabout bordering Frank Collopy Court, reaching practical completion in April 2012, and being officially opened on 27 July 2012.
- Grand opening of 5350m² Asia Pacific Headquarters of Boart Longyear (international drilling services provider) in November 2011.
- University of SA refurbishment of Hangar 55 (Parafield Airport) doubling the footprint of its flying training academy.

Other Notable Events

- Awarded the Australian Airports Association Awards for Excellence as the Capital City Airport of the Year for the third time in 5 years
- Hosted the Australasia Wildlife and Bird Hazard Management Seminar
- Staffed information booths at public forums such as AFTA Travel Expo and Disability Information Resource Centre Expos in the city and regional centres
- Flight Training Adelaide expansion continued with training of domestic and regional pilots
- Updated Parafield Airport community information brochure including Fly Friendly Program distributed to 62,000 homes in the Parafield area
- National award by the Australian Institute of Project Management for runway and taxiway resurfacing project
- Nine staff successfully completed second round of the AAL Business Leadership Program
- Property Council of Australia awards - T1: 'Environmental Sustainability (waste recycling)' and 'Excellence in Marketing'

managing director's report



It is a privilege to take on the role as Adelaide Airport Limited (AAL) Managing Director. I'm excited about the opportunities and challenges - both current and future.

Although 2011/12 has been a challenging one for the company due to airline upheavals and subdued economic conditions, it has been a highly productive one in terms of infrastructure development, attraction of new services and positioning the business for long term success.

The year started cautiously with the lingering effects of several national and global natural disasters, and Tiger Airways' suspension by the Civil Aviation Safety Authority and subsequent withdrawal of services from Adelaide. Just as the airline passenger market was starting to settle down, we were significantly impacted by the ongoing industrial action between Qantas and unions, and Qantas management's subsequent decision to ground its entire fleet in October 2011.

In the face of these issues, we continued to work hard to attract more international services and strengthen our standing in the domestic and regional markets.

Overall, passenger throughput in 2011/12 decreased by 4.0 per cent, largely due to a 6.1 per cent decrease in domestic numbers. However, international numbers continued the trend of the previous year and increased by a record 13.0 per cent (excluding transit passengers) making Adelaide the fastest growing capital city airport in the country.

Increasing passenger throughput levels combined with a determined team focus led to the attraction of new and increased international services to Adelaide Airport.

Where our target was once to secure daily services on international routes, we're now seeing double daily services up to three days a week, particularly over the peak summer (northern winter) period. With regional numbers increasing by 2.6 per cent, we are primed for further growth.

It has been particularly satisfying to see the significant level of infrastructure works, both aviation and non-aviation, continue within the airport precinct.

The core work of our Landside Infrastructure Project - the new multi-level car park - rose rapidly out of the ground and on schedule. While there was some temporary disruption to parking and traffic access, our customers have shown patience and understanding, recognising the significant improvement in facilities.

In 2011/12 we saw the turning of the first sod for the new Australian Federal Police building in Export Park, and opened Boart Longyear's new Asia Pacific Regional Headquarters. Construction also continued on Airservices Australia's new control tower.

At Parafield Airport, we prepared the Preliminary Draft Master Plan in line with the schedule and released it for public comment. At the time of writing the Draft Master Plan has been completed and is with the Federal Minister for Transport for approval.

AAL this year won a national award for engineering projects less than \$100 million at the Project Management Achievement Awards hosted by the Australian Institute of Project Management for the resurfacing of the airport's main runways and taxiways.

This project was also the catalyst for Adelaide Airport being named 2011 Australian Capital City Airport of the Year by the Australian Airports Association. It is the third time AAL has received the award in the past five years - a fantastic achievement and a credit to all involved.

Our past and current achievements laid solid groundwork for us to review our Vision during the year to position the company for continued long term success.

We refined our Vision: to be a top tier Airport Business Centre in Asia Pacific, recognised for delivering exceptional outcomes to our customers, partners, shareholders and community. The Adelaide Airport team is behind the new Vision and we're determined to realise its potential over the next few years.

Our Board adopted a revised strategic plan that will guide our multi-faceted business over the next three years. Our strategic plan focuses on the achievement of a number of key strategic objectives, outlined in 'The Future' section of this report.

I would like to take this opportunity to thank my predecessor, Phil Baker, for his outstanding contribution over the past 13 years. He has left the company in a stable and robust position, which has allowed us to continue planning for the future with a high degree of confidence and optimism.

This industry is dynamic and the future will always hold unknowns. However, the focus of our people and their dedication to meeting the challenges of the future will drive the mindset we need to help us realise our Vision.

We are well placed to further develop AAL's standing within Australia and wider Asia Pacific region over the long term.

“We have continued to work hard to attract more international services and strengthen our standing in the domestic and regional markets.”

MARK YOUNG, MANAGING DIRECTOR - ADELAIDE AIRPORT LIMITED

strengthen





directors

Board of Directors: LEFT TO RIGHT
Chris McArthur, John Ward, Alan Mulgrew, Anne Howe,
Mark Young, David Munt, Jim Tolhurst, Jay Hogan.

ADELAIDE AIRPORT LIMITED

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

MARK YOUNG *B.Ec, FCPA, FAICD, FCIS*

Managing Director, appointed 25 October 2011

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

CHRIS MCARTHUR *B.Eng., MBA, GAICD*

Non-Executive Director, appointed on the 30 March 2011

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

ANNE HOWE *AM, MAICD*

Non-Executive Director, appointed on the 29 June 2011

- 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



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 Committee
- Chair 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

PHIL BAKER *FCILT, FAICD*

Managing Director, appointed 24 April 1998 Resigned 31 Oct 2011

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



MARK YOUNG

MANAGING DIRECTOR

Key responsibilities are providing leadership development, driving proactive business development and engagement delivering superior and sustainable stakeholder outcomes, championing strategic initiatives; ensuring a quality brand and custodian of a high quality corporate and customer service culture.

SHANE FLOWERS

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

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

SUE DOYLE

EXECUTIVE GENERAL MANAGER PEOPLE AND CULTURE

Responsible for Human Resources, Industrial Relations, staff training and development, Occupational Health & Safety, marketing/sponsorship and executive and administrative services.

MALCOLM ANDREWS

EXECUTIVE GENERAL MANAGER BUSINESS DEVELOPMENT

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

LEN GOFF

MANAGER RISK AND COMPLIANCE

Responsible for business continuity / risk / insurance portfolio; policy/procedure.



*Executive Team: LEFT TO RIGHT
Shane Flowers, Mal Andrews, David Blackwell,
Sue Doyle, Len Goff, Mark Young,
Vince Scanlon, John McArdle, Ken May.*
ADELAIDE AIRPORT LIMITED

executives

VINCE SCANLON

EXECUTIVE GENERAL MANAGER AIRPORT OPERATIONS

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

KEN MAY

EXECUTIVE GENERAL MANAGER PROPERTY

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

DAVID NICOLLE

IN-HOUSE COUNSEL

Responsible for commercial and legal affairs.

DAVID BLACKWELL

EXECUTIVE GENERAL MANAGER CUSTOMER SERVICE

Responsible for all customer service related activities including service quality, passenger terminal operations, T1 Retail, ground transport and the enterprise wide functions of Business Systems and Information Technology.

JOHN MCARDLE

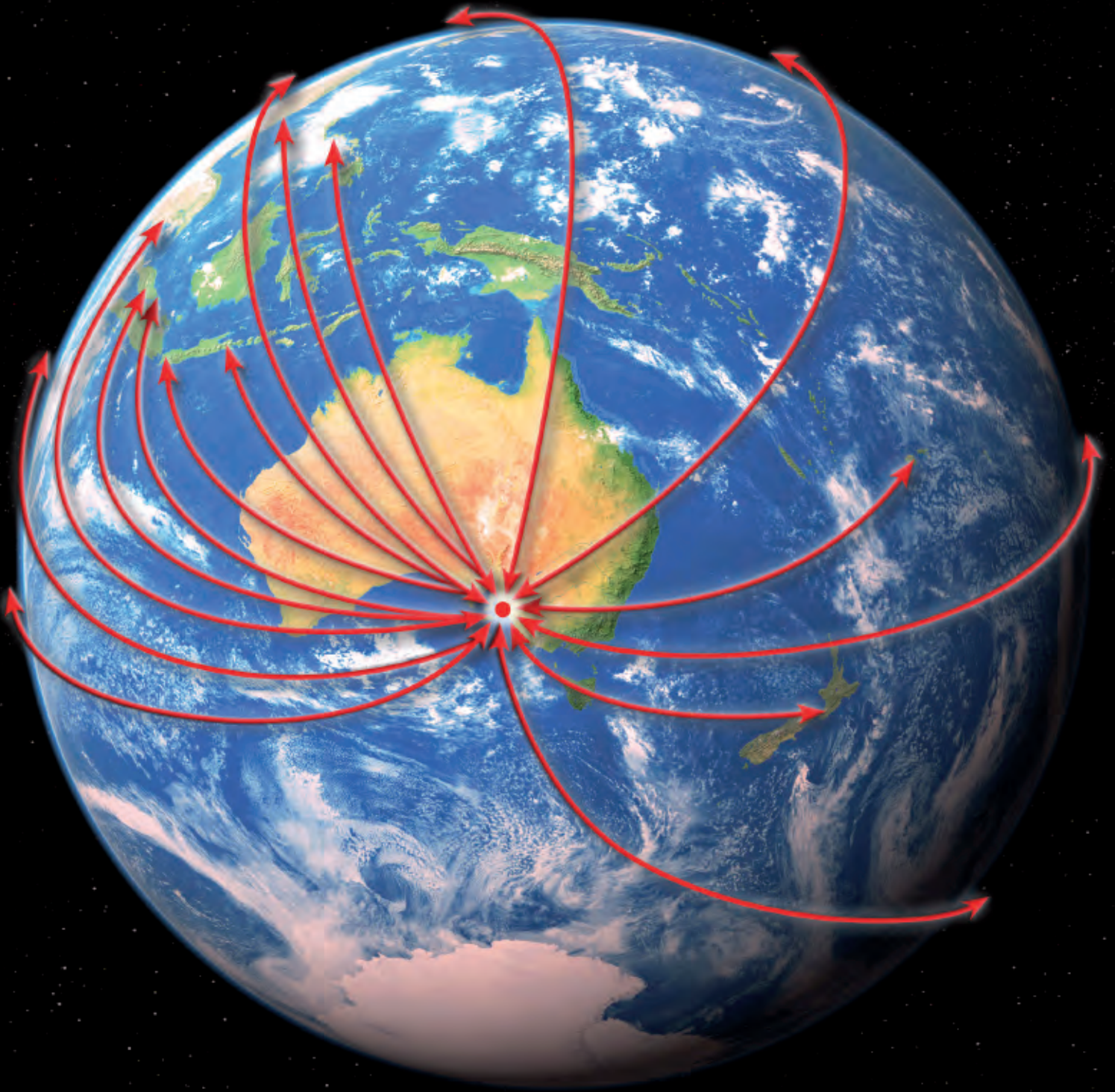
EXECUTIVE GENERAL MANAGER CORPORATE AFFAIRS

Managing, interpreting and facilitating the community consultation, communication, and regulatory and statutory requirements towards Master Planning. Government and industry advocacy, media representation, sustainability initiatives.

*“Adelaide Airport tops the chart for passenger facilitation.
The entire experience whether you are travelling regional, domestic
or global is without a doubt the easiest and most enjoyable
airport experience that one will get anywhere.”*

GRANT DRUMMOND, GENERAL MANAGER OPERATIONS - DISTRICT COUNCIL OF CEDUNA

global



operations

Aeronautical Traffic Performance

	Financial Year 1997/98	Financial Year 2010/11	Financial Year 2011/12	Change this year %	Change past 13 years %
PASSENGERS					
Domestic*	3,379,118	6,218,077	5,837,205	-6.1%	72.8%
International**	258,488	592,619	660,694	11.5%	155.7%
Regional	366,325	586,142	601,584	2.6%	64.2%
Total Passengers	4,003,931	7,396,838	7,099,483	-4.0%	77.3%
AIRCRAFT MOVEMENTS					
Regular Public Transport	70,204	76,571	74,588	-2.6%	6.2%
General Aviation	35,076	23,318	24,365	4.5%	-30.5%
Total Aircraft Movements	105,280	99,889	98,953	-0.9%	-6.0%
LANDED TONNES					
Total Landed Tonnes	1,622,681	2,344,618	2,296,703	-2.0%	41.5%

*Includes Domestic on carriage **Includes Transits, excludes Domestic on carriage

Airfreight

Calendar Year	Export Tonnes	Variation %	Import Tonnes	Variation %
2008	10,113	17.8%	9,340	2.7%
2009	11,719	15.9%	9,017	-0.03%
2010	9,263	-20.9%	9,230	29.3%
2011	8,273	-10.7%	8,908	-3.5%

General

Under Adelaide Airport Limited's (AAL) Landside Infrastructure Project, significant new road works were completed and the new multi-level car park neared completion (opened in August 2012). An associated comprehensive media and communications plan was put into action to educate motorists on the changes.

Airservices Australia's (AsA) new Terminal Area RADAR was commissioned during the past year, while AsA's new air traffic control tower remained ahead of schedule and is due for operational commissioning in mid 2012/13.

Adelaide Airport's annual emergency field exercise was conducted in April 2012, with "Lightning Strike" testing command control and communication procedures. A debrief identified that no major changes to the Emergency Plan were required.

A study into airport directional signs around the Adelaide metropolitan roads system has been conducted to ensure consistency in presentation.

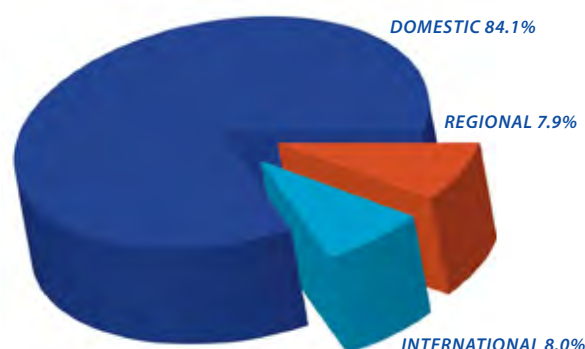
The National Bird and Wildlife Management Committee hosted by AAL formally met in Adelaide.

AAL hosted the National Aviation Noise Management Seminar, with principal guest the Airport Noise Ombudsman.

Operational audits by the Civil Aviation Safety Authority and the Office of Transport Security were conducted during the year with no major remedial actions identified.

The National Security Threat level to aviation has remained at 'Medium'.

Passenger Composition



operations cont

Aeronautical

The lingering effects of the Chilean volcano ash cloud saw adverse conditions prevail over a period of several weeks resulting in an unprecedented number of flights to and from Adelaide suffering cancellation. This combined with the cessation of services by Tiger Airways, saw a downward turn in the domestic market for the first time in a number of years. However, the ash cloud had little or no impact on intra-state and international services, which saw a recovery in regional

activity and a significant growth in international traffic.

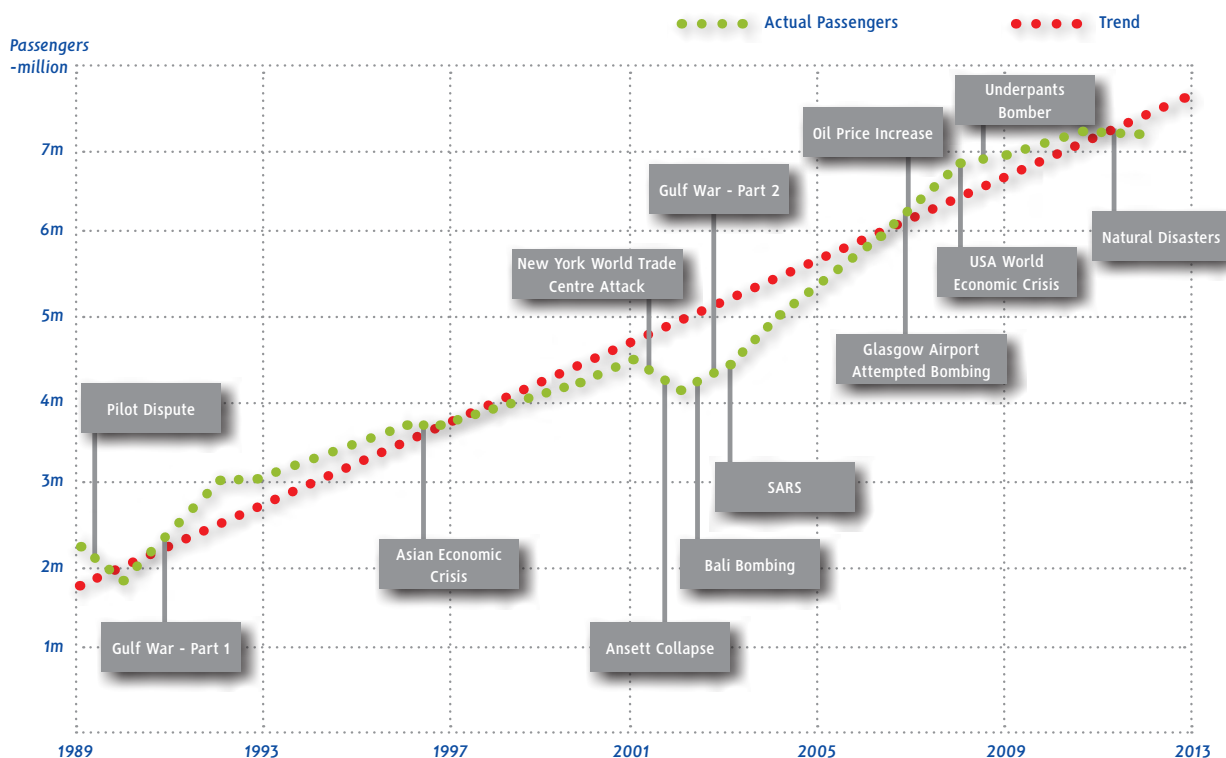
Cathay Pacific confirmed plans to de-link its Monday, Thursday and Saturday services via Melbourne to Hong Kong, offering direct flights to and from Hong Kong in both directions for the first time. However, despite this appearing to be a successful initiative offering improved access to China, it was short-lived with a return to all services being operated via Melbourne from Northern summer season 2012.

Singapore Airlines added three services per week in December 2011

and January 2012 culminating in these becoming permanent during the Northern summer season 2012. During the same period Virgin Australia added a fifth service to the increasingly popular Bali market.

Despite the downturn in domestic activity, additional services were introduced by Virgin Australia to Sydney and Melbourne and in May, Rex announced that they would fill the void to Mildura from July 2012. Similarly, Jetstar indicated additional services on a number of trunk routes were in the pipeline.

Adelaide Airport Passenger Movements



"Holding a national position in my workplace I travel regularly and a major factor of selecting Adelaide as a home base was the ease of airport use, especially compared with other cities. Keep it simple and keep it efficient."

JOHN ECKERT, NATIONAL DESIGN MANAGER - AVJENNINGS

efficient



"I would like to thank you and your staff for their excellent service... (they) were highly professional, caring and understanding in 'unusual' circumstances."

VIVIENNE STACEY, CUSTOMER

professional



customer focus

As a vibrant international airport and the main gateway to South Australia, Adelaide Airport Limited (AAL) considers the delivery of great customer service and operational efficiency as one of its key priorities.

That means delivering high quality facilities and services that are regarded as best in class, safe, secure and sustainable, as outlined in our Mission statement.

The most significant activity in 2011/12 has been the Landside Infrastructure Project (LIP) including construction of a new multi-level short term car park. Opened in August 2012, the car park is more than double the size of the old short term car park, and features a state-of-the-art parking guidance system and a weather-proof link with the main terminal, T1.

Further project works to be completed in 2012 include a pedestrian plaza, which will feature shops and cafes as well as other amenities, and a new taxi pick-up rank and bus parking facility to the west of the plaza.

Roadworks associated with the project are also ongoing. A Western Link Road was constructed to form a triangular road system with Sir Richard Williams Avenue and James Schofield Drive. This road system will become the main internal airport link when Andy Thomas Circuit is closed to vehicular access in late 2012.

As this project proceeds, AAL has placed strong emphasis on keeping its customers informed of developments, and on how construction activities may affect them. A series of radio and print advertisements, display boards in T1

and website updates has informed customers of changes to the roads network and disruptions to car parking during construction.

Separate to this project, AAL was able to 'reclaim' 100 parking bays in the long term car park as a result of the completion of the new air traffic control tower project in November 2011.

Within T1, several promotions, displays, events and performances were held to entertain and inform customers arriving and departing the airport.

The T1 Runway Events program, held in June 2012, created a fun, lively environment in the terminal by providing the public with a taste of what T1 has to offer from food, fashion and accessories. Runway fashion parades along the main concourse and free samples at several food outlets were particularly popular with passengers and visitors.

AAL strengthened its partnership with the South Australian Museum by installing a representation of one of the world's biggest dinosaurs - a Diplodocus - to greet passengers and visitors as they entered the main concourse. This partnership, showcasing the incredible cultural tourism assets South Australia has on its doorstep, is expected to expand further in the next financial year.

Regular T1 events have continued in 2011/12, including exhibitions by leading South Australian artists, Friday evening performances by local music ensembles, and Christmas performances by the Australian Girls Choir.

Adelaide Airport's ambassadors continue to play a vital role in assisting customers as they enter T1. Our 29 ambassadors are all volunteers, and have donated a total of 7000 hours of their time over the course of the year. More often than not they are the first interaction customers have with airport staff, and create an excellent initial impression.

A key component of AAL's customer focus is our commitment to the safety and security of passengers and visitors alike. Working closely with relevant government regulatory authorities, AAL seeks to strike a balance between ensuring the safety of customers and providing a seamless passenger experience from arrival to departure.

Adelaide Airport in 2011/12 continued its trial of the Australian Federal Police's Airport Watch scheme, which allows people working at, or travelling through airports to more easily report suspicious behaviour to authorities. As a result of the success of the Adelaide Airport trial, the scheme is now being rolled out at all other major Australian airports.

The airport has assisted Australian Government regulatory authorities with ongoing testing and trials of new security screening methods. This has included installation of multi-view x-ray and bottled liquid scanners at international transit screening points.

AAL will continue to focus on maintaining legislative compliance and achieving an increased security posture whilst increasing the customer services element of our screening provider staff.

property

Terminal 1 Retail and Concessions

In the past financial year, the following tenancy variations occurred in Terminal 1:

- The development of a new Carry-On luggage store at the same time as retrofitting the Purely Merino Store;
- The refurbishment of the Australian Way Store and remodeled shop entrance;
- The replacement of the former Coopers General Store with the relocated Shades sunglasses and jewellery shop into the larger centralised premises on 28 May, 2012;
- The installation of an ANZ Multi Currency ATM adjacent to Blue Illusions, with its official opening occurring on 27 April, 2012. Travelex also installed a new multi-currency ATM alongside the Virgin Australia lounge;
- The placement of a mobile food trolley in the international lounge concourse by Delaware North in June 2012;
- Lease renewals to Ripcurl, Witchery and the Airport Pharmacy for five years each. Lease assignments of Duty Free Stores Australia to LS Asia Pacific; Community CPS ATM to Cuscal Pty Ltd and the Cocolat shop from Coco Bean Pty Ltd to Coffee Cake and Beyond;
- Replacement of the car rental kiosks in the arrivals hall, in conjunction with a further kiosk for new car rental company, Redspot Sixt.

"T1 Shopping" gained a further Property Council of Australia (PCA) "Excellence in Marketing" Award for Shopping Centres less than 10,000m², directed at working with the community, together with a Presentation Award and another for Environmental Sustainability (waste recycling).

Terminals Precinct

Following the agreed land swap with TAE related to the new roundabout at Frank Collopy Court/James Schofield Drive, the construction of a new Engine Test Cell Workshop was developed and completed in April 2012, and officially opened by the Hon. Tom Koutsantonis, State Minister for Manufacturing, Innovation and Trade, on 27 July 2012.

Sarah Constructions commenced construction of the new 2400m² office premises for the Australian Federal Police in Export Park, with the development reaching 76.5 per cent completion by the end of the financial year and due for practical completion in September 2012. The new building is being developed to be consistent with environmental ratings (4.5 NABERS and 4 Star Green Star) and incorporates undercroft car parking.

Expressions of Interest were called in mid 2011 through Deloitte for the possible development of a new Adelaide Airport hotel adjacent to Terminal 1, and consistent with the approved Major Development Plan which caters for a facility of between 120 to 200 rooms, function areas and the option of being either of a tower or linear style.

An exclusive arrangement has been reached with a prospective developer and operator to progress the potential development.

In conjunction with the development of the new multi-level car park, arrangements were made for the letting of new five-year car rental concessions, with tenders called and selections made for six operators - Hertz, Avis, Budget, Thrifty, Europcar and Redspot Sixt. The new concessions commenced on 27 June, 2012 coinciding with the occupancy by the six car rental operators on the ground level of the car park.

In response to firm demand for hangar space, Expressions of Interest were called for the letting of Hangar 130 on James Schofield Drive. The selection of Sharp Airlines occurred for occupancy in the hangar portion of the building, with Rossair Charter securing a shorter term lease within the charter terminal portion of the premises.

Following a public sale campaign by Trust Company of Australia, the IKEA premises were sold on 19 March, 2012 to Cebas Pty Ltd, the operator of the IKEA store.

During the year, the SA Ambulance Service (including MedStar) renewed its lease over former helicopter premises in James Schofield Drive for two years including the establishment of additional accommodation facilities.

"I've travelled more than 5 million air miles over the past two decades and the things I appreciate about airports are ease of access, navigation and amenity. Adelaide Airport is a positive stand-out for me in these areas."

RAYMOND SPENCER, CHAIR - ECONOMIC DEVELOPMENT BOARD OF SOUTH AUSTRALIA

stand-out



“Adelaide Airport is exceptional in Australia - and indeed the world - for its cleanliness, its open and legible design and its user-friendliness. It's a great representation of South Australia's new aspirational outlook.”

NATHAN PAINE, EXECUTIVE DIRECTOR (SOUTH AUSTRALIA) -
PROPERTY COUNCIL OF AUSTRALIA

exceptional



Airservices Australia

Control Tower

Airservices Australia completed construction of a new control tower on a central site adjacent to the long term car park.

Torrens Precinct

The University of Adelaide renewed its lease over the hockey facilities for 10 years from October 2011. It also undertook redevelopment of the hockey pitch and installation of new external flood lighting.

Patawalonga Precinct

Agreement was reached with the City of West Torrens for the licence terms over about 3.4 hectares of land adjacent to the Patawalonga Creek to enable stormwater to be detained. This is associated with flood mitigation measures for the nearby West Beach residential area. Tenders were called by the Council and in principle approvals given for the works to be undertaken by June 2013.

Complementary to this arrangement with the Council, a lease of extended land to Adelaide Shores was agreed until 2016 to cater for the expansion of sports fields facing West Beach Road, with these site works to be undertaken in 2013.

Holdfast Precinct

SA Water has refined the design parameters of the Aquifer Storage Recovery water harvesting scheme to be located between the Brownhill Creek easement and James Melrose Road, which will service the eastern side of the airport with treated stormwater. Building applications were completed, which included the allowance for the adjoining construction of a shared use pathway between the Captain McKenna Pathway and James Melrose Road.

Burbridge Precinct

The grand opening of the Asia Pacific Headquarters for the International drilling services provider Boart Longyear was held in November 2011. This complex of 5,351m² is situated on a site of about 1.47 ha in the Burbridge Business Park.

Parafield Airport

The Discount Lounge Centre, Just Bedzzz and Adelaide Marble Specialists have moved into retail premises in the Commercial Estate.

Southern Propeller Services have relocated on to the airport and are leasing a building on Anderson Drive in the Central Precinct.

Minister for Transport and Infrastructure, Pat Conlon, officially opened the University of SA Aviation Academy new facilities on the ground floor of Hangar 55 in May 2012.

This work required a substantial upgrade of the power supply and complete fit-out of offices, pilot briefing and training rooms and installation of a simulator.

Flight Training Adelaide entered into new short and long term leases to satisfy their growing requirement for aviation student residential accommodation on sites adjacent their existing college facilities.

Approvals were obtained and works commenced on a major upgrade of Roulettes Tavern which included relocation of the gaming lounge to a separate and more secure location.

financial performance

Financial Performance Report

	2007	2008	2009	2010	2011	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE						
Aeronautical	69,570	75,431	79,209	81,862	84,157	75,829
Commercial trading revenue	23,876	27,504	28,124	30,344	31,823	31,800
Property Revenue	24,556	27,442	30,834	32,758	34,092	36,678
Other Revenue	1,393	3,515	1,676	1,678	1,989	1,868
Other Income	874	734	2,504	833	798	848
Total Revenue #1	120,269	134,626	142,348	147,475	152,859	147,023
Increments/(decrements) in fair value of investment properties	7,803	21,100	(10,039)	12,632	9,713	5,900
Operating Expenses	(45,521)	(51,465)	(55,267)	(55,908)	(59,844)	(64,064)
EBITDA	82,551	104,261	77,042	104,199	102,728	88,859
EBITDA (Adj) #2	74,748	83,161	87,081	91,567	93,015	82,959
Margin	62.2%	61.8%	61.2%	61.4%	60.8%	56.4%
Depreciation and amortisation	(17,825)	(18,015)	(19,263)	(17,808)	(14,962)	(16,188)
EBIT	64,726	86,246	57,779	86,391	87,766	72,671
BORROWING COSTS						
Interest on senior debt, net of interest income	(31,601)	(32,212)	(33,781)	(36,374)	(38,398)	(37,706)
Interest on Airport Notes/Dividends on RPS	(28,285)	(28,362)	(28,284)	(28,284)	(28,284)	(28,284)
Net Profit / (Loss) Before Tax	4,840	25,672	(4,286)	21,733	21,084	6,681
Income Tax (Expense) Benefit	(4,383)	(10,214)	45	(6,465)	(4,791)	(2,037)
Net Profit (Loss) After Tax	457	15,458	(4,241)	15,268	16,293	4,644

#1 Revenue presented above excludes interest revenue

#2 Excludes adjustment in fair value of investment properties

Some noteworthy aspects are:

- Revenue, which excludes interest - \$147.0 million (Last Year \$152.9 million)
- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties - \$83.0 million (last year \$93.0 million)
- Net profit before tax of \$6.7 million (last year net profit before tax of \$21.1 million). Excluding the fair value adjustment for investment properties the net profit before tax this year is \$0.8 million (last year \$11.4 million)
- Dividends on redeemable preference shares \$28.3 million (last year \$28.3 million). In addition a special dividend of \$10.0 million (last year \$0.0 million) was paid in the current year
- Increase in fair value of investment properties of \$5.9 million (last year increase of \$9.7 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 Landside Infrastructure, TAE and the Australian Federal Police projects

Cash Flow

After funding interest on borrowings and dividends on RPS, cash flow from operating activities was a positive \$16.8 million (last year \$30.7 million).

The year end cash position was consistent with the prior year at \$88.6 million (last year \$89.4 million). Of this balance \$12.7 million (last year \$12.0 million) is quarantined in debt reserve accounts.

*"The airport is an excellent facility internally
and presents our State in a very positive way."*

ROBERT FOORD, EXECUTIVE CHAIRMAN - PROUD AUSTRALIA

excellent



ADELAIDE AIRPORT

“AAL’s underlying Baa2/stable and BBB/stable ratings reflects AAL’s strong market position as the international gateway to South Australia.”

SHANE FLOWERS, CHIEF FINANCIAL OFFICER - ADELAIDE AIRPORT LIMITED

stable

PARAFIELD AIRPORT



financial performance cont

Balance Sheet

Year ended 30 June

	2012 \$ million	2011 \$ million
Cash	88.6	89.4
Total Assets	1,022.2	957.7
Interest Bearing Liabilities (excl stapled securities)	622.8	559.5
Total Liabilities (excl stapled securities)	776.9	689.4
Total Equity (plus stapled securities)	245.3	268.2

There has been a decrease in net assets resulting from a shift in the mark to market liability of the derivative financial instruments to \$41.5 million at balance date (last year \$16.2 million), of which \$11.7 million was classified as current and \$29.8 million

non-current. The derivative financial instrument liability represents the fair value of interest rate swap arrangements maintained in accordance with AAL interest rate risk management policies to protect the underlying profitability of the company.

The company's financial forecasts support the ability to settle these interest rate swaps as and when they fall due. The Group's total of equity and RPS (being stapled securities) stands at \$245.3 million at the end of the year (last year \$268.2 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
New Term Facility (Floating interest, \$42.0m available at year end)	\$78.0	Dec 2013
Working Capital Facility (\$20.0m available at year end)	\$20.0	Dec 2012
RPS	\$188.6	Jun 2014

The working capital facility expires in December 2012.

Interest Rate Management

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

The Group has fixed loans and swaps in place which cover 78% of the loan principle outstanding.

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

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 2012

The Annual Report for the 12 Months to 30 June 2012 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.

parafield airport

During the public consultation period for the 2012 Parafield Airport preliminary draft Master Plan from March 13 to June 7 this year, Parafield Airport Limited (PAL) has been actively engaging the local residential community as well as other local stakeholders. This engagement was used to communicate the main features of the Master Plan. While the plan itself was widely accepted by the community, some residents stated their concerns with the forecast flying growth and the impacts of aircraft noise.

The installation of the Aircraft Billing and Surveillance System (ABaSS) in May 2010 has enabled PAL to verify Airservices Australia's (AsA) flight activity data collected during tower hours, plus add the out-of-hours activity and provide an accurate total movement count with full confidence.

In addition, an improvement to AsA technology enabled improved radar tracking of aircraft arriving and departing at Parafield, which enabled a far more detailed track mapping used for the production of noise metrics such as the ANEF (Australian Noise Exposure Forecast). For the first time, PAL included over-flight mapping in the Master Plan which resonated with the local residents, as it acknowledged what they already knew, but what ANEFs did not demonstrate - that is, training flights occur over houses in the local area. The end result is provision of much better information about both current and future flight activity in the Parafield area.

Industry sources worldwide are forecasting strong growth in demand for new pilots, significantly exceeding current supply capability. This bolsters Parafield Airport's vision as an advanced flight training airport and supports the forecast growth.

With exciting developments in aviation training, it is expected a significant proportion of 'real' flying will be replaced with flight deck 'simulated' flying experienced in hi-tech flight simulators. Flight Training Adelaide in 2012 has successfully installed and commissioned an advanced flight airliner simulator, used to train pilots in multi-crew flight deck simulation, and has two additional advanced simulators scheduled for installation in the coming year. These simulators will complement an already impressive flight simulator installation at the college.

The University of SA conducted a complete and impressive refit to convert the ground floor workshop on the eastern side of Hangar 55 to offices, which are used for flight briefing, reception and training flight operations of the Aviation Academy. This effectively doubles the footprint of the academy facilities at Parafield Airport and has set the standard for future developments.

Extensive maintenance of runways, taxiways and aprons has been conducted through the year to ensure surfaces are of high quality. Hangars and other buildings also received attention with maintenance including painting and preventative measures to protect against termites and corrosion.

While retail tenants are reporting challenging trading times, the Commercial Estate, branded Airport City, holds its profile along Main North Road and is widely considered some of the most prominent frontage in the State.

With Parafield Airport located in the largest growth area in Adelaide - the northern suburbs - other precincts of the airport are also well positioned to capitalise on commercial opportunities as they arise.

“Over the past 5 years, the demand for FTA as a flight training provider of choice has grown significantly locally and internationally. Adelaide Airport Limited and by proxy Parafield Airport Limited have been instrumental as a business partner to FTA, in allowing us to meet and exceed the expectations of our growing customer base.”

PINE PIENAAR, MANAGING DIRECTOR AND CEO - FLIGHT TRAINING ADELAIDE

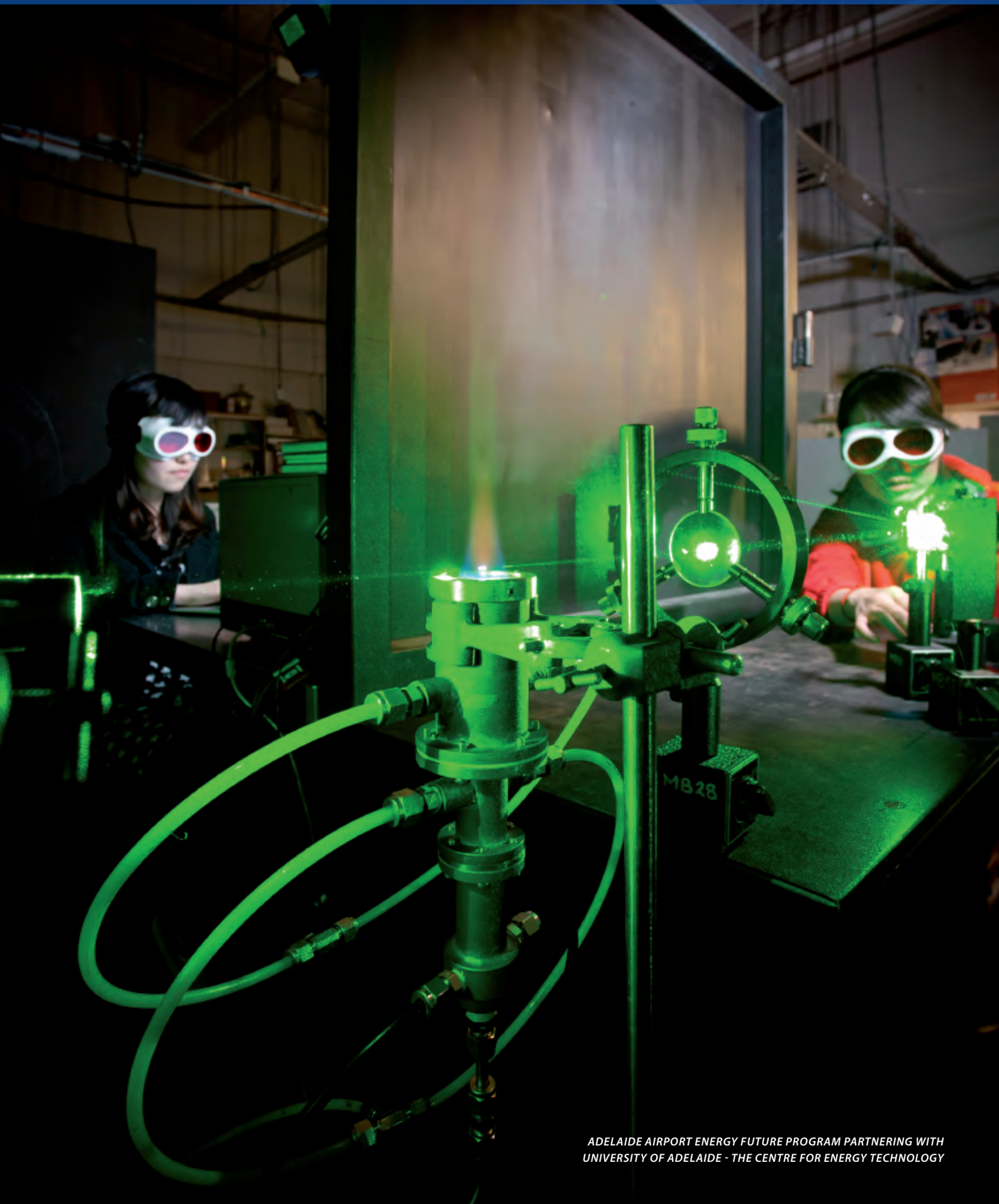
training



“Adelaide Airport is a clear leader in developing innovative solutions to the need for low-cost and low-carbon energy. Our partnership with them is driving new technology with both local application and global benefits.”

GUS NATHAN, DIRECTOR -
CENTRE FOR ENERGY TECHNOLOGY, UNIVERSITY OF ADELAIDE

innovative



ADELAIDE AIRPORT ENERGY FUTURE PROGRAM PARTNERING WITH
UNIVERSITY OF ADELAIDE - THE CENTRE FOR ENERGY TECHNOLOGY

environmental sustainability

Adelaide Airport Limited's (AAL) approach to environmental management has continued to evolve towards holistic sustainable business practice, whilst ensuring its regulatory compliance record. As described in the company Sustainability 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.

In striving to meet the company's committed objectives and goals in the 5-year Sustainability Plan for Adelaide Airport (2009-2014), AAL has progressed in areas such as sustainable development, water management, waste recycling and energy management to name a few.

The past year saw the successful completion of the single largest runway overlay project in Australia. A total of 450,000 square metres of runways and taxiways were resurfaced without any safety, environmental or community incidents whilst maintaining the operational status of Adelaide Airport.

Other sustainable development features included waste asphalt recycling, recycled pavement trials, LED taxiway light installation and use of recycled water. AAL's achievement in this project was recognised by the industry and resulted in Adelaide Airport being awarded the title of Australian Airports Association's Capital City Airport of the Year for 2011.

Sustainable development principles have been incorporated into the design of two major AAL projects nearing completion, namely the 4.5 NABERS energy rated and 4-star Green Star Australian Federal Police building, and the multi-level car park. The car park incorporates a number of sustainability features including rooftop stormwater capture and re-use, recycled water use for irrigation, efficient lighting and state-of-the-art wayfinding technology to reduce vehicle circulation times.

In a major step towards waterproofing Parafield Airport, the City of Salisbury has expanded the existing stormwater capture and re-use scheme and constructed a recycled water distribution network around the airport perimeter to supply future developments with recycled water from the on-airport aquifer storage and recovery scheme.

Adelaide Airport's Energy Future Program is a three year investment with the University of Adelaide's Centre for Energy Technology, across two targeted programs - Clean Energy Research and Adelaide Airport Innovation. The investment has continued to build research capacity in the State, and engaged AAL staff in an energy efficiency and innovation culture.

Key projects internally have focused on identifying energy efficiencies through detailed modelling and assessment of Terminal 1's (T1) heating, ventilation and air conditioning systems for improved decision making. Results to date have identified significant opportunities for future economic gains and energy efficiencies.

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 2008/09FY in relation to localised groundwater contamination was carried over into the 2011/12FY and is being adhered to in the form of a remediation action plan.

A Directive handed to Tasman Aviation Enterprises in 2009/10FY, also in relation to localised groundwater contamination, remains active.

people and culture

Our people continue to build on achievements of past years and are focussed on maintaining our strong learning culture. As well as business and leadership programs, Adelaide Airport Limited (AAL) looks further afield to find training opportunities in operational areas relevant to our business, thereby providing a potential benefit to all of our staff.

Notable training initiatives in 2011/12 included the culmination of the second round of the AAL Business Leadership Program in February 2012, whereby nine staff successfully completed a Certificate IV in Front Line Management and three staff completed a Certificate IV in Business. A third round of AAL's Business Leadership course commenced in March 2012.

Both Business Leadership Programs have been facilitated by Insight International Consultancy which has, through its continued partnership with AAL, become very familiar with our staff and the airport operating environment. This ensures our learning programs are highly contextualised and relevant.

This year a further group of Airside Operations staff participated in a Certificate III in Airport Operations - Ground Services via a tripartite initiative involving the Australian Airports Association, the Transport and Logistics Industry Skills Council and AAL. This training initiative again addressed CASA's strong focus on elevating skills development amongst airside safety and security staff.

AAL is also currently developing in-house capacity for ensuring competency maintenance through the provision of a Certificate IV in Training, Assessment and Education to selected staff.

AAL has continued to provide in-house expertise in training forums associated with skill and workforce development in the Transport and Logistics industry sector. This has occurred at both state and national level and contributes to and is congruent with State and Federal Governments' focus on skilling Australian workers for the global economy.

On the OH&S side, AAL's safety management practices continue to focus on protecting the business in a highly legislated environment, whilst ensuring the safety and wellbeing of employees, contractors and others.

This year has seen a great deal of work undertaken to ensure our preparedness for the introduction of the harmonised Workplace Health & Safety legislation. No date has been set for the gazettal of the Act and Regulations, but it is important to ensure that AAL and PAL will be compliant when that time comes.

The Safety Simplification strategy was introduced in June 2012 and streamlines the hazard management activities of the business and support management and staff with easier, simpler documentation and processes. This includes workshops to enhance managers coaching skills and new safe work instructions that ensure the best safety and compliance outcomes.

The next priority over the 2012/13 financial year will be a review and further development of safety management for contracting arrangements.

In addition, we are participating in a National Airports Safety Forum to produce benchmarked KPI's to allow comparison with the safety performance of all major airports in Australia and New Zealand.

Outside of their regular duties, AAL's staff actively give up their own time to support important community programs and initiatives.

Through AAL's continuing partnership with Tauondi College in Port Adelaide, which provides Vocational Education and Training for Aboriginal students, the AAL team has offered business and IT students the opportunity to see how their learning translates into work in a real workplace. AAL also sponsored the Welcome Dinner for the Virtual Enterprise Trade Fair, which Tauondi students won the right to host this year.

AAL also sponsored two Western Futures events in support of youth development through learning in the western region. These included the Aboriginal and Torres Strait Islander Career Pathways Family Dinner and the Western Futures School and Business Partnerships Dinner. AAL will continue to seek new opportunities to further extend our focus on supporting secondary schools in our region and fostering inclusivity in our community.

Members of AAL's staff are involved in the annual Motorcycle Riders Association Toy Run in support of the St Vincent de Paul Society, which distributes the toys to needy families, and our team has also provided assistance to the Mary Magdalene Centre by helping to sort through donations of food during the Christmas period.

Our people look forward to growing with AAL's new strategic direction by embracing continuous improvement, working together and involving our community.

“As well as operating a wonderful airport, Adelaide Airport Limited is also a partner with Personnel Employment and has provided great opportunities for people with disabilities. It is committed to the inclusion of people of all abilities in the workplace.”

ROBERT DEPOLD, CEO - BARKUMA

inclusion



“Adelaide Airport Limited’s participation as an influential partner since 2008 has genuinely authenticated us as a significant event. Our exhibition is widely promoted and publicised to the travelling world.”

MR KYM ROTHE, INAUGURAL CHAIRPERSON-
ADELAIDE AIRPORT BRIGHTON JETTY CLASSIC SCULPTURES

participation



AbaF Awards 2012
Good Practice
Recognition

Partnering

community & communication

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

Adelaide Airport Limited (AAL) and Parafield Airport Limited (PAL) engage with the community through a comprehensive community consultation and communications program, which involves both formal and informal activities.

Consultation is facilitated through airport-led meetings, active participation in community service clubs, and company communication initiatives including the airport newsletter 'Plane Talking', web site and contemporary use of social media.

Our community engagement extends to playing an active role in the corporate community leadership of the State.

We foster open and productive relationships with key stakeholders across industry and government, reinforcing the State's competitiveness and attractiveness both interstate and overseas.

Primary stakeholders of AAL are regarded as critical to the successful operation of an airport business. These stakeholders include Federal, State and local governments, our customers, on-airport tenants including retailers and airlines, and AAL shareholders.

Furthermore, AAL recognises the integral role our business plays in the communities in which we operate. Nearby residents and the wider community, employers, exporters, importers and tourism operators rely on a successful airport business.

The targeted use of domestic and overseas publications assists AAL in keeping our diverse and important stakeholders appropriately informed and engaged in corporate initiatives across all areas of the business. These initiatives include planning and development, environmental sustainability and community partnerships.

Our communications plan involves but is not restricted to:

- Formal presentations to the Western Adelaide Consultative Group - comprising the Mayors and CEOs of the surrounding five councils;
- Formal presentations to the Adelaide Airport Consultative Committee and Airport Planning Sub Group Committee (Including Department of Infrastructure & Transport representation);
- Regular media releases to print and electronic media;
- Formal presentations to the Cities of Holdfast Bay, Unley, Mitcham, West Torrens, Charles Sturt and Salisbury;
- Formal presentations to Federal Members of Parliament and their staff; and
- Being openly available for talk back radio discussions.

AAL partners organisations, programs and initiatives that reflect and extend our values to key stakeholders in a meaningful way. Community partnerships are a key part of our communications and engagement program, strengthening our relationship with the community.

We continue to frame our community commitments around three pillars of focus, these being:

Community - 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 diverse initiatives that include celebrating South Australia's iconic natural heritage and building research capacity around innovation in energy efficiency.

AAL and PAL have established community partnerships across these areas of focus, some of which are reflected below:

- Adelaide Airport Brighton Jetty Classic Sculptures by the Sea
- Presenting Partner (International) for the Adelaide Festival
- Matsuri on Mobara Festival
- Surf Life Saving SA
- Football Federation of SA - W League through to the Women's and Girls' Divisions
- South Australian Amateur Football League
- Special Olympics Australia
- Disability and Ageing Resource Centre SA Regional Expos
- Western Futures
- Young Achiever of the Year Awards
- Invest SA Roxby 2012
- South Australian Museum
- Adelaide Youth Orchestra
- Whyalla City Fishy Fringe - Recycle Sculpture Festival
- Riddoch Gallery Children's Art program.

corporate governance

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

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

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

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

Board Composition

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

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

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

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

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

Board Responsibilities

The responsibilities of the Board include:

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

Board Members

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

Directors' independence

Directors are appointed by the Board (or by the Shareholders in general meeting if so required by the Shareholders) in accordance with the Shareholders Agreement by nomination of the shareholders, and provision has been made in that agreement for the Directors to appoint a Chairman who is not one of their number who would as a consequence of that appointment become and be a Director. The Board has opted to appoint a Chairman 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. Current practice is to hold a minimum of 10 meetings per annum.

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

Conflicts of Interests

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

Independent Professional Advice

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

corporate governance cont

Performance Assessment

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

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

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

Corporate Reporting

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

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

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues.

Current committees of the Board are the remuneration, audit and compliance, property development and aeronautical and related infrastructure committees.

The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

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

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

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

External Auditors

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

It is a requirement that the external auditor 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 Committee comprising senior executives. The Board receives regular reports from this Committee.

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

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

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

Diversity

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

Code of Conduct

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

Shareholder Communication

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

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

the future

When Adelaide Airport completed its new domestic and international terminal, T1, it was built with further expansion in mind to cater for forecast traffic well into the 21st Century.

The planning and foresight behind this decision is already paying dividends. Passenger growth since the new terminal opened has well and truly exceeded initial forecasts, and yet Adelaide Airport Limited (AAL) continues to attract new airlines flying to more destinations within the capacity of the existing facilities.

AAL is now preparing for the next stages of growth, with plans for additional gates and additional aircraft parking space at the north-eastern end of the terminal.

In order to achieve further growth with a sustainable and structured approach, AAL has refined its Vision: to be a top tier Airport Business Centre in Asia Pacific, recognised for delivering exceptional outcomes to our customers, partners, shareholders and community.

Strategic Plan

It has also undertaken a review of its strategic plan that will take the company forward through future stages of business development. The strategic plan focuses on achievement of a number of key strategic objectives:

Our operations

We will strive to:

- Deliver growing and sustainable long term Shareholder value
- Be respected by and relevant to key opinion influencers and shapers
- Use and develop leading, smart infrastructure and be 'the place' for high quality property development

- Undertake proactive business development
- Achieve operational excellence in safety and security
- Ingrain sustainability, which underpins our future
- Continue to develop our strong and effective governance frameworks

Our people

- Ensure health, wellbeing and safety
- Embed customer service in our attitude and actions
- Develop a smart team which listens and is respectful
- Earn respect for our leadership and determination to achieve our strategic intent
- Promote empowerment with accountability
- Encourage diversity
- Instil a learning environment
- Build consistently high staff engagement

Business Development

In the face of a global downturn and flat domestic growth in 2011/12, AAL has achieved double digit growth in international traffic. The signs are very positive that this strong growth will continue, with Singapore Airlines since introducing double daily services, three days a week, and Emirates to start flying between Adelaide and Dubai in November 2012.

On the domestic side, we welcome back Tiger Airways after a 16-month absence, with the return of two services a day to Melbourne from November 2012.

On the regional side, AAL's current infrastructure plans are not contingent on

decisions relating to BHP Billiton's Olympic Dam expansion or other resources projects.

However, as SA's major gateway we will continue to look at opportunities to increase our mining charter 'fly in fly out' activity, and we're in a strong position to meet the challenges of State growth through our own future growth strategies.

Parafield Airport's recent growth is expected to continue. Key training organisations such as Flight Training Adelaide continue to expand. These organisations are utilising the latest flight simulator technology, as training programs move away from 'real' flying to flight deck simulation.

Infrastructure

Infrastructure works at Adelaide Airport are continuing into 2012 and beyond. The \$100 million landside infrastructure project, including the new multi-level short term car park and pedestrian plaza, will be significantly completed by the end of 2012, while a new Australian Federal Police building within Export Park is nearing completion.

Airservices Australia has completed construction of a new air traffic control tower. The tower is undergoing a commissioning phase over the next year.

Environment

AAL's strong focus on sustainability initiatives will soon see the start of work on a new stormwater aquifer storage and recovery scheme on the southern boundary of Adelaide Airport. The project, to be undertaken by SA Water, has received State and Federal Government funding.

“Attracting major conferences is as much about destination appeal as it is about our centre. Certainly we view the Adelaide Airport as a major asset and a partner in helping us attract national and international events. It is welcoming, efficient, attractive and very user friendly, and undoubtedly contributes to a positive delegate experience.”

ALEC GILBERT, CEO - ADELAIDE CONVENTION CENTRE

partner



