financial annual report 2011 2012

Adelaide Airport

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

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.

directors' report

Your directors present their report on the consolidated entity (or the Group) consisting of Adelaide Airport Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Directors

The following persons were directors of the Group during the whole of the financial year and up to the date of this report unless otherwise stated:

David Cranston Munt	*(Chairman)*
Phillip Andrew Baker	*(Managing Director, resigned 31 October 2011)*
Mark Dennis Young	*(Managing Director, appointed 1 November 2011)*
Alan James Mulgrew	
James Leonard Tolhurst	
John Frederick Ward	
James (Jay) Brendan Hogan	
Christopher John McArthur	
Anne Dorothy Howe	
Alan Shang Ta Wu	*(Alternate for Christopher McArthur)*
Kent Ian Robbins	*(Alternate for John Ward, James Tolhurst and Anne Howe)*

Principal activities

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

Dividends - Adelaide Airport Limited

An ordinary dividend for the year ended 30 June 2012 of 5.25 cents (2011 - 0 cents) per share was paid on the 28 June 2012, amounting to $10.000 million (2011 - $0.000 million).

Dividends on Redeemable Preference Shares, which are classified as finance costs, amounting to $28.284 million and were paid or provided for during the year (30 June 2011: $28.284 million)

	2012 $'000	*2011 $'000*
Ordinary Dividends	10,000	-
Redeemable Preference Share Dividend	28,284	28,284
	38,284	28,284

Review of operations

The profit/(loss) before income tax amounted to $6.681 million (2011: $21.084 million).

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

(a) Aeronautical services

Year on year aeronutical revenue of $75.829 million (30 June 2011: $84.157 million) represented a decline of 10.0%, with the decrease in revenue principally due to lower aircraft movements and passengers, coupled with a lowering of the Passenger Facilitation Charge (PFC) by approximately 25% from 17 February 2011, which is one of the major components of aeronautical revenue in accordance with contractual arrangements. The major contributing factor to the 4.0% year on year decline in passengers was the withdrawal of Tiger Airlines from the Adelaide market from 1 July 2011.

(b) Non-aeronautical services

Commercial trading revenue of $31.800 million (30 June 2011: $31.823 million) was static year on year, and car parking revenue declined due to the combined impact of lower passengers and the construction of the Landside Infrastructure Project (LIP).

Property revenue of $36.678 million (30 June 2011: $34.092 million) represented a 7.6% increase on prior year, principally due to annual rental increases and the pass-through of higher utility charges to tenants.

Investment property fair valuations saw a 4.1% increase in value.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Emirates announced the commencement of direct Adelaide services as of November 2012.

Stage 2 of the Landside Intrastruture Project (LIP) representing a state-of-the art Multi Deck Car Park facility was opened to the public on the 6th August 2012. Stage 3 of the LIP, being development of a pedestrian plaza and precinct in front of T1, is expected to be complete by December 2012.

No other matters or circumstances have arisen since 30 June 2012 that have significantly affected, or may significantly affect;

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

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

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

Likely developments and expected results of operations

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

Environmental regulation

Adelaide Airport 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 last year saw 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 for 2011.

Sustainable development principles have been incorporated into the design of two major AAL projects nearing completion, namely, the 5-star Green Star Australian Federal Police building and the Multi-Deck Car Park. The car park incorporates a number of sustainability features including rooftop stormwater capture and reuse, 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 on 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.

AAL's 3-year Clean Energy Partnership with the University of Adelaide's Centre for Energy Technology has continued with key projects aiming to identify energy efficiency gains through detailed modelling and assessment of Terminal 1's heating, ventilation and air conditioning system. Progress to date has identified significant opportunities for financial savings 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 by the AEO in 2009/10FY, also in relation to localised groundwater contamination, remains active.

Information on Directors

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

David was appointed on the 30 June 2004 as a non-executive director and Chairman. David has over 30 years'experienceas a corporate and commercial solicitor, primarily involved in representing parties in difficult and complex litigation. He has had long experience as a public company Chairman and as a director of private companies. David is immediate past Chairman of Partners of law firm Thomson Playford (now Thomsons Lawyers) and Deputy Chairman of Seeley International Pty Ltd.

Special responsibilities

- 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 DENNIS YOUNG *B.Ec, FCPA, FAICD, FCIS, Managing Director*

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

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

Mr Young has played a key role in Adelaide Airport's expansion and rapid passenger growth over the past decade and has also successfuly led multiple capital raising programs as part of AAL's refinancing and expansion strategy, maintaining the company's strong credit rating.

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

Special responsibilities

- Managing Director
- Member of the Property Development Committee
- Member of the Audit & Compliance Committee
- Member of the Remuneration Committee

directors' report

Information on Directors (cont)

PHILLIP ANDREW BAKER *FCILT, FAICD. Managing Director*

(Resigned 31 October 2011)

Phil was appointed as Managing Director on the 24 April 1998 of Adelaide Airport Limited and resigned from this position as of 31 October 2011.

At the date of his resignation Phil was the Chairman of the Adelaide Convention Bureau (formerly Adelaide Convention and Tourism Authority) and is a Fellow of the Chartered Institute of Transport and the Australian Institute of Company Directors, a former Business Ambassador for South Australia and former Managing Director of Ringway Handling Services Limited (Manchester Airport - United Kingdom), former Director of the Australian British Chamber of Commerce, former MD and Director of Queensland Airports Limited Group and a former Director of the Tourism Task Force Limited. Phil has forty five years of experience in the aviation industry, including airlines and handling agents.

Special responsibilities

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

ALAN MULGREW *BA, GRAICD, JP Director*

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

Special responsibilities

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

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

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

Special responsibilities

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

JOHN FREDERICK WARD *BSc, FAICD, FAIM, FAMI, FCILT Director*

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

Special responsibilities

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

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

Jay was appointed on the 29 July 2009 as a non-executive director nominated by Local Super. Jay has over 35 years' experience in the property development industry around Australia and overseas across a broad range of property asset classes. Jay is currently Chairman of Urban Construct Pty Ltd, Bremerton Vintners Pty Ltd and Sevenhill Wines. He currently has personal interests in property development, wine and tourism ventures. He was previously Chairman of the Land Management Corporation in South Australia from 1996 to 2004, Chairman of the South Australian Housing Trust Board, Chairman of the Torrens Catchment Water Board, Deputy Chairman of Homestart Finance Board and Past President of the Urban Development Institute of Australia. In 1998 he was awarded Life Membership of the Urban Development Institute of Australia in recognition of his contribution and services to the development industry.

Special responsibilities

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

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CHRISTOPHER JOHN MCARTHUR *B.Eng., MBA, GAICD Director*

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

Special responsibilities

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

ANNE DOROTHY HOWE *MAICD Director*

Anne was appointed on the 29 June 2011 as a non-executive director nominated by UniSuper Ltd. In December 2010 Anne retired from SA Water, an organisation she successfully led as Chief Executive for ten years. For the last 20 years of a public sector career spanning thirty years, Anne has held positions as Chief Executive or Deputy Chief Executive of several large, complex public sector agencies including responsibility for a number of diverse government businesses. Anne has been State President of the Committee for Economic Development of Australia (South Australia), a member of the South Australian Government Financing Authority Advisory Board, a member of South Australia's Economic Development Board (Projects Co-ordination Board), a member of the Construction Industry Training Advisory Board and Deputy Commissioner representing South Australia on the Murray Darling Basin Commission. As a Councillor of the SA Institute of Company Directors, Anne led a group responsible for designing strategies to increase participation of women on boards. In 1996 Anne became the first woman to chair the Australian Procurement and Construction Council (APCC), the peak council of departments responsible for procurement, construction and asset management policy for the Australian, State and Territory governments and the New Zealand government.

Special responsibilities

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

ALAN SHANG TA WU *M.Com, CFA, GAICD. Alternate Director*

Alan was appointed as an alternate director by Christopher McArthur on the 30 March 2011. Alan is Associate Director, Infrastructure of Colonial First State Global Asset Management (CFSGAM). Alan is responsible for the management of transport and utilities infrastructure assets and evaluation of new investment opportunities within the Infrastructure team. Alan has over 10 years of experience in the investment, management and divestment of infrastructure assets, as well as portfolio management. Prior to being appointed Associate Director, Alan was Head of Analytics and Asset Manager managing the Infrastructure Analytics Team. Alan was also actively involved in the establishment and growth of CFSGAM's flagship infrastructure funds in Australia. Alan is a director of Bankstown and Camden Airports. He has previously served as an alternate director of Perth Airport.

KENT IAN ROBBINS *B. Bus (Property) Alternate Director*

Head of Property and Private Markets - UniSuper Management Pty Ltd. Kent has over 20 years' experience in the finance industry, predominantly in superannuation and property funds management, having joined UniSuper in November 2009. Kent's prior roles included board representation on domestic and offshore property funds and a Superannuation Investment Committee. He is a current director of AquaSure (Victoria's Desalination Plant) and Plenary Health (Victoria's Comprehensive Cancer Centre). Kent is responsible for UniSuper's $3.1B Property portfolio, $1.6B Infrastructure portfolio and $0.8B Private Equity portfolio.

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

Company Secretaries

LEN GOFF *FIPA, GRAICD*

Len was appointed Company Secretary on 29 March 1999. Len has had over 20 years' experience in the aviation industry and has a background of management and financial accounting in the manufacturing industry. Len is a Fellow Professional National Accountant and a Graduate Member of the Australian Institute of Company Directors. Len resigned his position as Company Secretary with effect from 1 July 2012.

Company Secretaries continued next page

directors' report

Company Secretaries (cont)

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

Mark was appointed Chief Financial Officer on 23 July 2001 and Company Secretary on 28 November 2001. Mark has over 30 years' experience in the finance industry with a background of financial management and accounting principally in a listed company environment. Mark was appointed Managing Director on 1 November 2011 and vacated his position as Chief Financial Officer on 21 February 2012. Mark is a Fellow of the Australian Society of CPA's, a Fellow of the Australian Institute of Company Directors and a Fellow of the Chartered Institute of Secretaries in Australia.

SHANE FLOWERS *BSc, MSc, ACA*

Shane joined Adelaide Airport in October 2008 as Finance Manager and was appointed Chief Financial Officer on 21 February 2012 and Company Secretary on 28 March 2012. Prior to that Shane spent 10 years in private practice with PricewaterhouseCoopers across Audit and Transaction Services. Shane is an Associate of the Institute of Chartered Accountants in Ireland and has Bachelors and Masters degrees in Economics.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director are shown below.

		Meetings of committees			
	Full meetings of directors	*Audit and Compliance Committee*	*Remuneration Committee*	*Property Development Committee*	*Aeronautical & Related Infrastructure Development Committee*
Meetings Held	**10****	**7****	**3****	**10****	**10****
David Munt	8	6***	3	8	8
Phillip Baker	[4] 4	*	*	[4] 4	[4] 4
Mark Young	[6] 6	7*	3*	[6] 6	[6] 6
Alan Mulgrew	9	*	2	9	9
James Tolhurst	10	7	3	10	10
John Ward	10	7	3	10	10
Jay Hogan	10	*	*	10	10
Anne Howe	10	*	*	10	10
Chris McArthur	10	7	*	10	10
Alternate Directors					
Alan Shang Ta Wu	[2] 2	*	*	[3] 3	[3] 3
Kent Ian Robbins	[1] 1	*	*	[1] 1	[1] 1

* denotes not a member   ** denotes the number of meetings held in the course of the year   *** denotes ex officio member

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

Insurance of officers

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Rounding of amounts

The group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors:

MMYoung

Mark Young (Director)

Jim Tolhurst (Director)

Adelaide, 25 September 2012

Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Airport Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

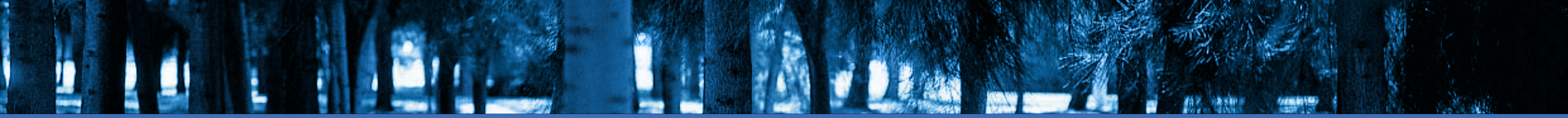
a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

MT Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
25 September 2012



financial report 30 june 2012

These financial statements are the consolidated financial statements of the consolidated entity consisting of Adelaide Airport Limited and its subsidiaries. The financial statements are presented in the Australian currency. Adelaide Airport Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: Adelaide Airport Limited - 1 James Schofield Drive, Adelaide Airport SA 5950. A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report on pages 2 to 7, which is not part of these financial statements. The financial statements were authorised for issue by the directors on 25th September 2011. The directors have the power to amend and reissue the financial statements.

financial statements

Consolidated income statement for the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Revenue from continuing operations	**3**	**146,175**	**152,061**
Increments/(Decrements) in fair value of Investment Properties		5,900	9,713
Other income	4	904	831
Employee benefits expense		(13,249)	(12,296)
Services & Utilities		(34,029)	(31,586)
Consultants & Advisors		(5,251)	(4,254)
General administration		(6,750)	(6,730)
Leasing & maintenance		(4,785)	(4,978)
Profit/(loss) on disposal of property, plant & equipment		(56)	(33)
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)		**88,859**	**102,728**
Interest Income	4	4,674	4,509
Finance costs		(70,664)	(71,191)
Depreciation and amortisation expense		(16,037)	(14,810)
Impairment of property, plant & equipment		(151)	(152)
Profit before income tax		**6,681**	**21,084**
Income tax expense	6	(2,037)	(4,791)
Profit for the year		**4,644**	**16,293**

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

Consolidated statement of comprehensive income for the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Profit for the year		**4,644**	**16,293**
Other comprehensive income			
Revaluation gain on transfer to investment properties, net of tax	25	-	757
Changes in the fair value of cash flow hedges, net of tax	25	(17,685)	2,326
Other comprehensive income for the year, net of tax		**(17,685)**	**3,083**
Total comprehensive income for the year		**(13,041)**	**19,376**

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

Consolidated balance sheet as at 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	88,606	89,440
Trade Receivables	8	7,909	8,221
Current tax receivables		5,157	4,303
Other Receivables	9	7,027	5,527
Total current assets		**108,699**	**107,491**
Non-current assets			
Property, plant and equipment	10	358,067	303,101
Intangible assets	14	183,433	183,603
Prepaid Operating Lease	11	119,849	121,263
Investment Properties	12	252,170	242,230
Total non-current assets		913,519	850,197
Total assets		**1,022,218**	**957,688**
LIABILITIES			
Current liabilities			
Trade and other payables	15	21,457	20,178
Borrowings	16	5	402
Derivative financial instruments	22	11,736	5,219
Provisions	17	2,240	2,002
Other	18	425	288
Total current liabilities		**35,863**	**28,089**
Non-current liabilities			
Borrowings	19	811,249	747,458
Deferred tax liabilities	20	84,016	88,705
Provisions	21	1,631	772
Derivative financial instruments	22	29,751	11,004
Other	23	2,861	1,772
Total non-current liabilities		**929,508**	**849,711**
Total liabilities		**965,371**	**877,800**
Net assets		**56,847**	**79,888**
EQUITY			
Contributed equity	24	1,905	1,905
Reserves	25(a)	(24,842)	(7,157)
Retained earnings	25(b)	79,784	85,140
Total equity		**56,847**	**79,888**

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Consolidated statement of changes in equity for the year ended 30 June 2012

Consolidated	*Notes*	*Contributed equity $'000*	*Reserves $'000*	*Retained earnings $'000*	*Total equity $'000*
Balance at 1 July 2010		1,905	(10,240)	68,847	60,512
Total profit for the year as reported in the 2011 financial statements		-	-	16,293	16,293
Other comprehensive income	25	-	3,083	-	3,083
Total comprehensive income for the year		**-**	**3,083**	**16,293**	**19,376**
Transactions with owners in their capacity as owners	24	-	-	-	-
Balance at 30 June 2011		**1,905**	**(7,157)**	**85,140**	**79,888**
Total profit for the year as reported in the 2012 financial statements		-	-	4,644	4,644
Other comprehansive income for the year	25	-	(17,685)	-	(17,685)
Total comprehensive income for the year		**-**	**(17,685)**	**4,644**	**(13,041)**
Transactions with owners in their capacity as owners					
Dividends provided for or paid	26	-	-	(10,000)	(10,000)
Balance at 30 June 2012		**1,905**	**(24,842)**	**79,784**	**56,847**

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

Consolidated statement of cashflow for the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		164,930	170,609
Payments to suppliers and employees (inclusive of goods and services tax)		(79,353)	(72,647)
		85,577	97,962
Interest received		4,436	4,477
Interest and other borrowing costs paid		(44,891)	(42,245)
RPS Dividend		(28,284)	(28,284)
Income taxes paid		-	(1,238)
Net cash outflow (inflow) from operating activities	**35**	**16,838**	**30,672**
Cash flows from investing activities			
Payments for property, plant and equipment and investment properties		(69,299)	(45,502)
Proceeds from sale property, plant and equipment		-	38
Net cash (outflow) inflow from investing activities		**(69,299)**	**(45,464)**
Cash flows from financing activities			
Proceeds of loans, net of borrowing costs		62,030	64,686
Repayment of borrowings		(403)	(33,537)
Dividends paid to company's shareholders	26	(10,000)	-
Net cash inflow (outflow) from financing activities		**51,627**	**31,149**
Net increase (decrease) in cash and cash equivalents		**(834)**	**16,357**
Cash and cash equivalents at the beginning of the financial year		89,440	73,083
Cash and cash equivalents at end of year	**7**	**88,606**	**89,440**

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

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contents notes to the consolidated financial statements

notes to financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Adelaide Airport Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

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

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early Adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value and investment property under the fair value accounting model.

Critical accounting estimates

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

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adelaide Airport Limited ("company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Adelaide Airport Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Revenue recognition

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

(i) Aeronautical revenues

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

(ii) Commercial trading revenues

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

(iii) Public car parks

Public car park income is recognised when received from customers.

(iv) Lease income

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

(v) Interest income

Interest income is recognised using the effective interest method.

notes to financial statements

1 Summary of significant accounting policies (cont)

(d) Government Grants

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

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

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

(e) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

(i) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits and is carried forward.

(ii) Tax consolidation legislation

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

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

In addition to its own current and deferred tax amounts, Adelaide Airport Limited also recognises the current tax liabilities arising under tax funding agreements with the tax consolidated entities which are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 6.

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

(f) Leases

(i) Prepaid operating leases

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

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

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

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

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

(ii) Other leases

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

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

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

(g) Business combinations

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

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

(h) Impairment of assets

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

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

(k) Other financial assets: Tenant loans

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

1 Summary of significant accounting policies (cont)

(l) Derivatives and hedging activities

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 22. Movements in the hedging reserve in shareholders' equity are shown in note 25.
The fair value of hedging derivatives is classified between non-current and current classifications based on the timing of the cash flows associated with the derivative.

(i) Cash flow hedge

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

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

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

(m) Fair value estimation

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

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

(n) Property, plant and equipment

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

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

Tenant Contributions

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

Depreciation

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

	Useful Life	Depreciation Basis
Owner Occupied Buildings	40 yrs	straight line
Leasehold Improvements (including runways, taxiways and aprons)	8 yrs - balance of lease term	straight line
Plant & Equipment	3-25 yrs	straight line
Computer & Other Office Equipment	2.5-5 yrs	straight line
Furniture and fittings	10-16 yrs	straight line
Low value asset pool	3 yrs	diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

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

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

(o) Maintenance and repairs

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

(p) Non-current assets constructed by the consolidated entity

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

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

(q) Investment property

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

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

(r) Intangible assets

(i) Goodwill

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

(ii) Revenue leases

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

1 Summary of significant accounting policies (cont)

(s) Trade and other creditors

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

(t) Borrowings

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

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

(u) Borrowing costs

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

(v) Provisions

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

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

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

(w) Employee entitlements

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

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

(ii) Long service leave

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

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

(iii) Long Term Executive Incentive Plan (LTEIP)

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

(x) Contributed equity

Ordinary shares are classified as equity (note 24).

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

(y) Redeemable Preference Shares

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

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

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

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

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

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

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

(z) Rounding of amounts

The group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) Parent entity financial information

The financial information for the parent entity, Adelaide Airport Limited , disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Adelaide Airport Limited . Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

2 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and judgements

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

(i) Estimated impairment of goodwill and other assets

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

(ii) Investment properties

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

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

The assets and liabilities that are subject to fair value estimation are investment properties and derivative financial instruments. Further information on the methodology used in measuring these assets and liabilities is described in notes 12 and 22.

3 Revenue

	Consolidated	
	2012 $'000	2011 $'000
From continuing operations		
Sales revenue		
Aeronautical Revenue	75,829	84,157
Commercial Trading Revenue	31,800	31,823
Property Revenue	36,678	34,092
Other Revenue	1,868	1,989
	146,175	**152,061**

4 Other income

	Consolidated	
	2012 $'000	2011 $'000
Other income		
Interest Income	4,674	4,509
Other Income	904	831
	5,578	**5,340**

5 Expenses

	Consolidated	
	2012 $'000	2011 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	5,791	6,169
Leasehold improvements and buildings	8,662	7,073
Total depreciation	**14,453**	**13,242**
Amortisation		
Prepaid operating lease	1,414	1,398
Property lease	170	170
Total amortisation	1,584	1,568
Total depreciation and amortisation	**16,037**	**14,810**
Rental expense relating to operating leases		
Minimum lease payments	461	532
Total rental expense relating to operating leases	**461**	**532**
Dividends on RPS paid and/or provided	28,284	28,284
Interest paid or payable	45,013	42,457
Amortisation of borrowing costs	1,765	1,777
Amount Capitalised	(4,398)	(1,327)
	70,664	**71,191**
Impaired loss - trade receivable	(27)	56
Provision for employee benefits	2,482	1,673

6 Income tax expense

	Consolidated	
	2012 $'000	2011 $'000
(a) Income tax expense		
Current tax	(853)	(3,095)
Deferred tax	2,890	9,098
Adjustments for current tax of prior periods	-	(1,212)
	2,037	4,791
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 13)	(655)	(269)
(Decrease) increase in deferred tax liabilities (note 20)	3,545	9,367
	2,890	**9,098**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	6,681	21,084
Tax at the Australian tax rate of 30% (2011 - 30%)	2,006	6,325
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expense	192	(45)
Under/(over) provided in prior years	-	(1,489)
R&D Claim	(161)	-
	2,037	4,791
Income tax expense	**2,037**	**4,791**
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - debited (credited) directly to equity (notes 13 and 20)	**7,579**	**(1,320)**

(d) Tax consolidation legislation

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 32).

7 Current assets - Cash and cash equivalents

	Consolidated	
	30 June 2012 $'000	*30 June 2011 $'000*
Cash at bank and in hand	74,099	75,661
Distribution Account	1,810	1,733
Cash Reserves at Bank *	12,697	12,046
	88,606	**89,440**

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

8 Current assets - Trade receivables

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Net trade receivables		
Trade Debtors	7,953	8,238
Provision for impairment of debtors	(44)	(17)
	7,909	**8,221**

a) Past due but not impaired

As at 30 June 2012 trade receivables of $1,731,000 (2011 $700,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis for trade receivables is as follows -

0-30 days	6,178	6,118
31-60 days	1,526	1,860
61-90 days	130	160
+91 days	119	100
	7,953	**8,238**

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

(b) Allowance for Impaired Loss

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

Movements in the provision for impairment loss were as follows:

As at 1 July	(17)	(73)
Provision for impairment (recognised)/released during the year	(27)	56
	(44)	**(17)**

(c) Collateral and other credit enhancements obtained

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

(d) Related Party Receivables

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

(e) Fair value and Credit Risk

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

9 Current assets - Other receivables

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Prepayments	880	1,208
Accrued revenue	6,147	4,319
	7,027	**5,527**

10 Non-current assets - Property, plant and equipment

	Construction in progress $'000	Leasehold buildings and improvements $'000	Plant and equipment $'000	Total $'000
At 1 July 2010				
Cost	6,057	275,982	91,894	373,933
Accumulated depreciation	-	(59,593)	(38,706)	(98,299)
Net book amount	**6,057**	**216,389**	**53,188**	**275,634**
Year ended 30 June 2011				
Opening net book amount	6,057	216,389	53,188	275,634
Additions	14,211	25,323	1,386	40,920
Disposals	-	-	(59)	(59)
Impairment	-	(28)	(124)	(152)
Depreciation charge	-	(7,073)	(6,169)	(13,242)
Closing net book amount	**20,268**	**234,611**	**48,222**	**303,101**
At 30 June 2011				
Cost or fair value	20,268	301,277	92,538	414,083
Accumulated depreciation	-	(66,666)	(44,316)	(110,982)
Net book amount	**20,268**	**234,611**	**48,222**	**303,101**
Year ended 30 June 2012				
Opening net book amount	20,268	234,611	48,222	303,101
Additions	64,664	2,465	2,509	69,638
Disposals	-	-	(68)	(68)
Impairment charge	-	-	(151)	(151)
Depreciation charge	-	(8,662)	(5,791)	(14,453)
Closing net book amount	**84,932**	**228,414**	**44,721**	**358,067**
At 30 June 2012				
Cost or fair value	84,932	303,742	93,361	482,035
Accumulated depreciation	-	(75,328)	(48,640)	(123,968)
Net book amount	**84,932**	**228,414**	**44,721**	**358,067**

10 Non-current assets - Property, plant and equipment (cont)

(a) Valuations of property, plant and equipment

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

(b) Non-current assets pledged as security

Refer to note 19 for information on non-current assets pledged as security by the Group.

(c) Impairment expense

The consolidated entity incorporates an impairment expense of $0.151 million, representing write-off of operational tangible assets at Parafield Airport. Operational cash flows at Parafield are not considered sufficient to support the carrying value of the operational asset base.

11 Non-current assets - Prepaid operating lease

	Consolidated	
	30 June 2012 $'000	*30 June 2011 $'000*
At Cost	139,040	139,040
Accumulated Amortisation	(19,191)	(17,777)
	119,849	**121,263**

Prepaid operating lease movements		
Opening balance 1 July	121,263	121,754
Revaluation gain on transfer to investment properties	-	-
Re-classification from operating to investment	-	(465)
Re-classification from investment to operating	-	1,372
Amortisation	(1,414)	(1,398)
	119,849	**121,263**

12 Non-current assets - Investment properties

	Consolidated	
	30 June 2012 $'000	*30 June 2011 $'000*
Investment Properties at Fair Value	252,170	242,230
	252,170	**242,230**

Investment properties movements

At Fair Value		
Opening balance 1 July	242,230	227,624
Capitalised subsequent expenditure	4,040	4,720
Net gain (loss) from fair value adjustment	5,900	9,713
Re-classification from investment to operating use	-	(1,372)
Re-classification from operating to investment	-	1,545
	252,170	**242,230**

(a) Valuation basis

Investment properties are independently valued for fair value purposes by Knight Frank Pty Ltd. Knight Frank undertake full scope valuations of investment properties once every 3 years, and adopt 'desktop' review methods in years 2 and 3, with the last 'Full Scope' valuation being conducted in 2010.

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

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

- Direct Comparison. This method is used for valuing freehold land and involves comparing sales of similar properties in the same or similar areas. This method is very reliable where there is a sufficient sample size. It assumes that the seller and buyer are prudent and are well informed as to recent sales of properties similar to that which is being offered.
- Capitalisation. This method capitalises an actual or imputed net rental income at an appropriate yield. The capitalisation rate adopted is derived from drawing comparisons with similar investment sales that have transacted in the market place. The capitalisation rate is an expression of the perceived risks associated with the investment relating to such factors as the protection of capital invested and anticipated appreciation, security of income and cash flow, time frame for the return of capital, liquidity, saleability and investor demand for the property, economic factors including inflation, term and covenants of the lease, rental structure, financial backing of the sitting tenant etc. Research, investigation and analysis of sales of similar type investment properties is undertaken to determine appropriate rental and capitalisation rates. Appropriate capital adjustments are then made, where necessary, to reflect the specific cash flow profile and the particular characteristics of the property. Such adjustments include rental shortfalls/profit rent being received (as compared with the market rents adopted in the valuation calculations), leasing fees, loss of rental during the potential letup period and incentives to reflect the value of the tenancies with vacant possession and any immenient lease expiries, as opposed to existing long term leases.
- A Discounted Cash Flow (DCF) analysis has also been carried out over an investment horizon of 10 years. The discounted cash flow technique focuses on the overall cost consequences of an investment, considering the amount and timing of inflows and outflows and the targeted rate of return over the notional holding period of ten (10) years, and also makes an allowance for "terminal value."

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

(b) Non-current assets pledged as security

Refer to note 19 for information on non-current assets pledged as security by the parent entity or its controlled entities.

12 Non-current assets - Investment properties (cont)

(c) Contractual obligations

Refer to note 30 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(d) Leasing arrangements

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

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Minimum lease payments receivable on leases of investment properties are as follows:		
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:	-	-
Within one year	18,669	18,254
Later than one year but not later than five years	84,449	82,128
Later than five years	119,456	116,615
	-	-
	222,574	**216,997**

13 Non-current assets - Deferred tax assets

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
The balance comprises temporary differences attributable to:		
Lease liabilities	4	124
Other	892	455
Provisions	1,174	837
Cashflow hedges	12,447	4,867
Set-off deferred tax liabilities of parent entity pursuant to set-off provisions (note 20)	(14,517)	(6,283)
Total deferred tax assets	**-**	**-**
Movements:		
Opening balance at 1 July	6,283	7,548
Credited/(charged) to the income statements (note 6)	655	(269)
Credited/(charged) to equity	7,579	(996)
Closing balance at 30 June	**14,517**	**6,283**
Deferred tax assets to be recovered within 12 months	5,592	6,283
Deferred tax assets to be recovered after more than 12 months	8,925	-
	14,517	**6,283**

14 Non-current assets - Intangible assets

	Goodwill $'000	Property Leases $'000	Total $'000
At 1 July 2010			
Cost	179,410	20,853	200,263
Accumulated amortisation and impairment	-	(16,490)	(16,490)
Net book amount	**179,410**	**4,363**	**183,773**
Year ended 30 June 2011			
Opening net book amount	179,410	4,363	183,773
Amortisation charge	-	(170)	(170)
Closing net book amount	**179,410**	**4,193**	**183,603**
At 30 June 2011			
Cost	179,410	20,853	200,263
Accumulated amortisation and impairment	-	(16,660)	(16,660)
Net book amount	**179,410**	**4,193**	**183,603**
Year ended 30 June 2012			
Opening net book amount	179,410	4,193	183,603
Amortisation charge	-	(170)	(170)
Closing net book amount	**179,410**	**4,023**	**183,433**
At 30 June 2012			
Cost	179,410	20,853	200,263
Accumulated amortisation and impairment	-	(16,830)	(16,830)
Net book amount	**179,410**	**4,023**	**183,433**

(a) Impairment tests for goodwill

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

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

(b) Key assumptions used for value-in-use calculations

(i) Passenger traffic forecasts

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

(ii) Property lease rentals

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

(c) Impact of possible changes in key assumptions

The recoverable amount of goodwill exceeds the carrying value of goodwill at 30 June 2012 by an amount which is sufficient to ensure there is no potential for impairment to goodwill in the foreseeable future. Management does not consider a likely change in any of the key assumptions will have a material impact on the recoverable amount.

15 Current liabilities - Trade and other payables

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Trade payables	2,043	1,615
Other payables	19,414	18,563
	21,457	**20,178**

16 Current liabilities - Borrowings

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Lease liabilities	5	402
Total current borrowings	**5**	**402**

Refer to note 19(b) for details of the security of the lease liability.

17 Current liabilities - Provisions

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Annual Leave	879	837
Long Service Leave	1,361	1,165
	2,240	**2,002**

18 Current liabilities - Other liabilities

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Retentions and Deposits	334	293
Deferred Revenue	91	(5)
	425	**288**

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19 Non-current liabilities - Borrowings

	Consolidated	
	30 June 2012 $'000	*30 June 2011 $'000*
Secured		
Lease liabilities	6	11
Medium Term Notes 2015	283,276	282,709
Medium Term Notes 2016	262,156	261,423
New Term Facility	77,384	14,958
Total secured non-current borrowings	**622,822**	**559,101**
Redeemable preference shares	188,427	188,357
Total non-current borrowings	**811,249**	**747,458**

(a) Standby arrangements and credit facilities

Unrestricted access was available at balance date to the following lines of credit:		
Working capital facility provided by Westpac Banking Corporation	20,000	20,000
New Term facility provided by Westpac Banking Corporation	60,000	60,000
New Term facility provided by Australian and New Zealand Banking Group	60,000	60,000
Used at balance date	(78,000)	(16,000)
	62,000	**124,000**

(b) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:		
Lease liabilities (i)	11	413
Medium Term Notes 2015 (ii)	283,276	282,709
Medium Term Notes 2016 (iii)	262,156	261,423
New Term Facility (iv)	77,384	14,958
Total secured liabilities	**622,827**	**559,503**

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

(ii) The Medium Term Notes 2015 (MTN's 2015) are a secured unwrapped Australian capital markets issue. The MTN's 2015 are issued in registered form. Interest is payable quarterly based on the 90 day BBSW bank bill rate plus a margin of 2.55%. The MTN's incorporate an Issuer Call Option at 4.5 years or any coupon date thereafter until maturity.

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

(iv) The $120 million New Term Facility commenced on the 1 December 2010 with a maturity period of 3 years. This bilateral bank debt facility between the Australia and New Zealand Banking Group and Westpac Banking Corporation provides funding for a number of capital works projects and also general corporate purposes.

(c) Redeemable preference shares

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

20 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	30 June 2012 $'000	*30 June 2011 $'000*
The balance comprises temporary differences attributable to:		
Accrued revenue and interest	2,581	796
Investment property	43,432	40,179
Property plant and equipment	14,695	15,549
Intangibles	1,193	1,244
Prepaid operating lease	35,704	36,128
Borrowing costs	928	1,092
	98,533	94,988
Set-off of deferred tax assets (note 13)	(14,517)	(6,283)
Net deferred tax liabilities	**84,016**	**88,705**
Movements:		
Opening balance at 1 July	94,988	85,297
Charged/(credited) to the income statements (note 6)	3,545	9,367
Charged/(credited) to equity (notes 24 and 25)	-	324
Closing balance at 30 June	**98,533**	**94,988**
Deferred tax liabilities to be settled within 12 months	2,581	796
Deferred tax liabilities to be settled after more than 12 months	95,952	94,192
	98,533	**94,988**

21 Non-current liabilities - Provisions

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Long Service Leave	270	276
Provision for LTEIP	1,361	496
	1,631	**772**

22 Derivative financial instruments

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Interest rate swaps - current cashflow hedges (a)	11,736	5,219
Interest rate swaps - non current cashflow hedges (a)	29,751	11,004
Total derivative financial instrument liabilities	**41,487**	**16,223**

(a) Instruments used by the Group

Interest rate swap contracts - cashflow hedges

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

Fixed loans and swaps currently in place cover 78.0% (2011 - 86.6%) of the loan principal outstanding. The average fixed interest rate is 5.0% (2011 - 5.0%) and the variable rates are based on the 90-day BBSY (bid) bank bill rate or 90 day BBSW bank bill rate.

At 30 June 2012, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	30 June 2012 $'000	30 June 2011 $'000
Interest rate swaps		
Less than 1 year	-	-
1 - 2 years	-	-
2 - 3 years	-	-
3 - 4 years	390,000	-
4 - 5 years	-	390,000
5 - 10 years	-	-

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2012 no amounts were recorded in profit and loss in respect of ineffective hedges.

22 Derivative financial instruments (cont)

(b) Risk exposures

Credit Risk

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

Interest Rate Risk

The consolidated entity has entered into:

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

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

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

23 Non-current liabilities - Other

	Consolidated	
	30 June 2012 $'000	*30 June 2011 $'000*
Deferred Income	2,861	1,772
	2,861	**1,772**

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24 Contributed equity

	30 June 2012 Shares	30 June 2011 Shares	30 June 2012 $'000	30 June 2011 $'000
Ordinary Shares Fully paid	1,904,676	1,904,676	1,905	1,905
	1,904,676	**1,904,676**	**1,905**	**1,905**

(a) Ordinary shares

At 30 June 2012 there were 1,904,676 ordinary shares called to $1.00.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the 15% redeemable preference shares, which are classified as liabilities (refer to note 19).

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

25 Reserves and retained earnings

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
(a) Reserves		
Asset revaluation reserve	4,199	4,199
Hedging reserve - cash flow hedges	(29,041)	(11,356)
	(24,842)	**(7,157)**
Movements:		
Hedging reserve - cash flow hedges		
Balance 1 July	(11,356)	(13,682)
Revaluation - gross (note 22)	(25,264)	3,323
Deferred tax (notes 6, 13 and 20)	7,579	(997)
Balance 30 June	**(29,041)**	**(11,356)**
Movements:		
Other reserves		
Balance 1 July	4,199	3,442
Reclassification from operating to investment asset	-	1,081
Deferred tax	-	(324)
Balance 30 June	**4,199**	**4,199**

25 Reserves and retained earnings (cont)

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
(b) Retained earnings		
Movements in retained earnings were as follows:		
Balance 1 July	85,140	68,847
Profit/(loss) current year	4,644	16,293
Dividends	(10,000)	-
Balance 30 June	**79,784**	**85,140**

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

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

(ii) Hedging reserve - cash flow hedges

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

26 Dividends

	Consolidated and Parent entity	
	2012 $'000	2011 $'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2012 of 5.25 cents (2011 - 0 cents) per share.	10,000	-

(b) Redeemable preference shares

Franked dividends on these shares of 15% per annum (2011- 15% per annum) totalling $28,284,434 (2011 - $28,284,434) paid quarterly have been charged to the income statement as interest and finance charges because the shares are classified as liabilities. (refer note 1(t)).

	Consolidated and Parent entity	
	2012 $'000	2011 $'000
(c) Franking Credits		
Franking credits available for subsequent financial years based on a tax rate of 30%		
(2011 - 30%)	12,491	12,474
	12,491	**12,474**

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

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

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

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

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27 Key management personnel disclosures

(a) Directors

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

(i) Chairman - non-executive

D C Munt

(ii) Executive directors

M D Young, Managing Director (Appointed 1 November 2011)

P A Baker, Managing Director (Resigned 31 October 2011)

(iii) Non-executive directors

A Mulgrew

J Hogan

J L Tolhurst

J F Ward

A D Howe

C J McArthur

A S T Wu - alternate for McArthur

K I Robbins - alternate for Ward, Tolhurst & Howe

(b) Other key management personnel

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

M Andrews	Executive General Manager Business Development	Adelaide Airport Management Ltd
S Doyle	Executive General Manager People & Culture	Adelaide Airport Management Ltd
L Goff	Company Secretary (Resigned 1 July 2012)	Adelaide Airport Management Ltd
K May	Executive General Manager Property	Adelaide Airport Management Ltd
J McArdle	Executive General Manager Corporate Affairs	Adelaide Airport Management Ltd
V Scanlon	Executive General Manager Airport Operations and Infrastructure	Adelaide Airport Management Ltd
S Flowers	Chief Financial Officer & Joint Company Secretary	Adelaide Airport Management Ltd

(c) Key management personnel compensation

	Consolidated	
	2012 *$*	*2011* *$*
Short-term employee benefits	3,856,303	3,061,707
Superannuation	367,928	191,352
	4,224,231	**3,253,059**

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

28 Remuneration of auditors

	Consolidated 2012 $	Consolidated 2011 $
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial reports	119,475	116,000
Audit of government grant claim	-	-
Audit of interest rate subsidy claim	2,600	2,750
Financial Statements Software	10,076	4,430
Other assurance services		
Outgoings audit	17,000	16,500
Total remuneration for audit and other assurance services	**149,151**	**139,680**

29 Contingencies

(a) Contingent liabilities

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

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

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

30 Commitments

(a) Capital commitments

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

	Consolidated 30 June 2012 $'000	Consolidated 30 June 2011 $'000
Property, plant and equipment		
Within one year	26,749	69,232
Later than one year but not later than five years	-	-
	26,749	**69,232**
Investment property		
Within one year	6,289	13,761
Later than one year but not later than five years	-	39
	6,289	**13,800**

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30 Commitments (cont)

	Consolidated 30 June 2012 $'000	Consolidated 30 June 2011 $'000
(b) Lease commitments: Group as lessee		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	34	161
Later than one year but not later than five years	-	17
	34	**178**
Representing:	-	-
Non-cancellable operating leases	23	159
Future finance charges on finance leases	11	19
	34	**178**
(i) Non-cancellable operating leases		
The Group also leases various items of plant and equipment under non-cancellable operating leases.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	23	143
Later than one year but not later than five years	-	16
	23	**159**

31 Employee entitlements

	Consolidated 2012 $'000	Consolidated 2011 $'000
Employee entitlement liabilities		
Provision for employee entitlements - current	2,240	2,002
Provision for employee entitlements - non-current	1,631	772
	3,871	**2,774**
Employee numbers		
Average number of employees during the financial year	**125**	**124**

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

	Consolidated 2012 %	Consolidated 2011 %
Weighted average rates of increase in annual employee entitlements to settlement of liabilities	3.50	3.00
Weighted average discount rates	3.08	5.22

32 Related party transactions

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 33.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 27.

	Consolidated	
	2012 $	2011 $
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	**954,273**	**867,991**

33 Subsidiaries

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

Adelaide Airport Management Limited*	Australia	Ordinary	-	-
Parafield Airport Limited*	Australia	Ordinary	-	-
New Terminal Financing Company Pty Ltd	Australia	Ordinary	-	-
New Terminal Construction Company Pty Ltd*	Australia	Ordinary	-	-

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

34 Deed of cross guarantee

Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321 and 01/1087) issued by the Australian Securities & Investments Commission.

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

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

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the closed group consisting of Adelaide Airport Limited , Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

Deed of cross guarantee (cont)

	30 June 2012 $'000	30 June 2011 $'000
Income statement		
Revenue from continuing operations	**168,820**	**175,698**
Other income	904	831
Increments/(decrements) in the fair value of investment properties	5,899	9,713
Employee benefits expense	(13,249)	(12,295)
Depreciation & Amortisation expenses	(16,037)	(14,809)
Services & Utilities	(34,029)	(31,586)
Consultants & Advisors	(5,250)	(4,255)
General administration	(6,750)	(6,729)
Leasing & Maintenance	(4,785)	(4,978)
Borrowing costs expense	(89,690)	(90,841)
Profit/(Loss) on disposal of property, plant and equipment	(56)	(33)
Impairment of property, plant and equipment	(151)	(152)
Gain (Loss) before income tax	**5,626**	**20,564**
Income tax expense	(1,720)	(4,635)
Profit for the year	**3,906**	**15,929**
Profit for the year	**3,906**	**15,929**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**65,530**	**49,601**
Profit/(loss) from ordinary activities after income expense for the year	3,906	15,929
Dividends provided for or paid	(10,000)	-
Retained earnings at the end of the financial year	**59,436**	**65,530**

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34 Deed of cross guarantee (cont)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2012 of the Closed Group consisting of Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

	30 June 2012 $'000	30 June 2011 $'000
Current assets		
Cash and cash equivalents	74,102	75,658
Trade and other receivables	7,905	8,221
Other	6,905	5,383
Total current assets	**88,912**	**89,262**
Non-current assets		
Receivables	-	-
Property, plant and equipment	358,067	303,100
Investment properties	252,170	242,230
Intangible assets	183,432	183,603
Prepaid operating lease	119,849	121,264
Total non-current assets	**913,518**	**850,197**
Total assets	**1,002,430**	**939,459**
Current liabilities		
Trade and other payables	18,192	17,032
Interest bearing liabilities	5	402
Provision for tax	(3,839)	(4,152)
Provisions	2,240	2,002
Other	425	288
Total current liabilities	**17,023**	**15,572**
Non-current liabilities		
Interest bearing liabilities	821,158	757,213
Deferred tax liabilities	94,219	92,498
Provisions	1,630	771
Other	2,861	1,772
Total non-current liabilities	**919,868**	**852,254**
Total liabilities	**936,891**	**867,826**
Net assets	**65,539**	**71,633**
Equity		
Contributed equity	1,904	1,904
Reserves	4,199	4,199
Retained profits	59,436	65,530
Total equity	**65,539**	**71,633**

35 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2012 $'000	2011 $'000
Profit/(loss) for the year	4,644	16,293
Depreciation and amortisation of property plant and equipment	14,453	13,242
Amortisation of intangible assets	170	170
Amortisation of borrowing costs	1,765	1,777
Amortisation of prepaid operating lease	1,414	1,396
Dividend and interest income	-	-
Net (gain) loss on sale of assets	56	32
Fair value adjustment to investment property	(5,900)	(9,712)
Impairment of assets	151	152
Capitalised borrowing costs	(4,398)	(1,326)
Movements in current and deferred tax assets and liabilities	2,036	4,635
Inter Entity Dividends/Charges	-	-
Income tax expense from subsidiaries	-	-
(Increase) in trade debtors and accrued income	(1,464)	205
Decrease (increase) in prepayments	328	(199)
(Decrease) increase in trade creditors	3,583	4,007
(Decrease) increase in other provisions	-	-
Net cash inflow (outflow) from operating activities	**16,838**	**30,672**

36 Non-cash investing and financing activities

	Consolidated	
	2012 $'000	2011 $'000
Acquisition of plant and equipment by means of finance leases	-	-

37 Parent entity financial information

	At parent entity	
	30 June 2012 $'000	30 June 2011 $'000
Balance sheet		
Current assets	94,070	92,521
Non-current assets	874,456	812,721
Total assets	**968,526**	**905,242**
Current liabilities	18,571	17,652
Non-current liabilities	910,832	840,402
Total liabilities	**929,403**	**858,054**
Shareholders' equity		
Contributed equity	1,905	1,905
Reserves	4,199	4,199
Retained earnings	33,019	41,085
	39,123	**47,189**
Profit or loss for the year	**1,933**	**14,179**
Total comprehensive income	**1,933**	**14,179**

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

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

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

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

As at 30 June 2012, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $33.0 million (30 June 2011 - $83.0 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

directors' declaration

Adelaide Airport Limited
Directors' declaration
30 June 2012

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 46 are in accordance with the Corporations Act 2001, including:

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

(ii) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2012 and of their performance for the financial year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 34.

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

Jim Tolhurst
Director

Mark Young
Director

Adelaide, 25th September 2012

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

Report on the financial report

We have audited the accompanying financial report of Adelaide Airport Limited (the company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cashflow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Adelaide Airport Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Independence

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

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

Auditor's opinion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

MT Lojszczyk
Partner

Adelaide
25 September 2012

Adelaide Airport