



# Towards Our Vision

Annual Report 2014/15



**Chairman**

Rob Chapman

**Managing Director**

Mark Young

**Directors**

Alan Mulgrew

Jim Tolhurst

John Ward

Jay Hogan

Anne Howe

Chris McArthur

**Solicitors**

Thomson Geer Lawyers

**Auditors**

PricewaterhouseCoopers

**Shareholders**

UniSuper Ltd 49.0%

Statewide Super 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

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## 4 Chairman's Report

Planning for growth,  
job creation and sustainable  
economic development.

Adelaide Airport in 2014/15 has positioned itself for strong future growth with the launch of our 30-Year Vision and the creation of a new Airport Business District.

This forward thinking, combined with our continued passenger growth and solid financial results, has allowed us to make critical decisions on future infrastructure and pursue new business development opportunities.

We have also been successful in receiving approval from the Federal Minister for Transport for the Adelaide Airport 2014 Master Plan, which will allow us to plan for growth, job creation and sustainable economic development.

Adelaide Airport was again the fastest growing capital city airport in Australia for the 2014 calendar year, with international passenger numbers leading the way. While growth was more muted in the second half of the financial year, we are optimistic we can attract new airlines and reach new destinations, as well as further developing our existing services. Cities in China and the US are very much on our radar.

The continued international growth is especially pleasing. Our services to Dubai with Emirates, Hong Kong with Cathay Pacific and Bali with Jetstar and Virgin Australia have continued to shine, offsetting the withdrawal of AirAsia X to Kuala Lumpur and Jetstar's Auckland service. South Australia continues to become a destination of choice for major markets such as China, the US and Europe.

Our balance sheet remains in a healthy position. The Company in 2014/15 made a net profit after tax of \$36.5 million on the back of revenue of \$179.6 million. We have also successfully accessed the US private placement market for the first time with a bond issue, which will be used to refinance an upcoming bond maturity and for capital expenditure.

On the ground, Adelaide Airport has completed construction of the southern apron expansion, giving us significantly more room for aircraft parking adjacent the main terminal. We've also completed redevelopment of international facilities with the delivery of two additional international gates.

Discussions are well advanced on finding a developer and operator for a new airport hotel, and we are well advanced in the planning phase for a future expansion of the domestic and international terminal.

Sustainability continues to be one of Adelaide Airport's major strengths. I was delighted to hear that we became the first airport in Australia to be recognised by the global Airport Carbon Accreditation program for optimising our management and reduction of carbon emissions.

I would like to congratulate all of the team at Adelaide Airport Ltd for the way in which they not only perform their roles, but in the way they project such a positive image of our airport towards customers and stakeholders. Our team places a heavy emphasis on helping our customers, and everyone from the senior management team to the security personnel and volunteer ambassadors play a significant role in that process.

The theme for this Annual Report is about working towards the Vision we announced late last year. Within this report you will see there is a very solid base on which we can build to achieve this Vision.

## Managing Director's Report



### Once again Australia's fastest growing capital city airport for the 2014 calendar year.

Adelaide Airport in 2014/15 has embarked on fulfilling a 30-Year Vision that could see us potentially triple the size of our domestic and international terminal and create a globally-connected, next-generation Airport Business District.

Using our current strong operational and financial position as a base, Adelaide Airport has released a long term Vision of where we would like to be by 2044. This Vision goes well beyond our normal planning window and allows us to imagine how the aviation industry may look well into the future.

Over the past financial year we've consolidated domestic and international passenger growth, continued to invest in infrastructure and demonstrated our credentials in the areas of sustainability and community investment.

Adelaide Airport was once again Australia's fastest growing capital city airport for the 2014 calendar year. After a more subdued second half of the financial year, our overall passenger growth for 2014/15 came in at 1.9 per cent.

Internationally we have retreated from the dizzying heights of double digit growth over the past five years, but have still recorded solid 3.0 per cent growth.

The departure of AirAsia X's Kuala Lumpur service and Jetstar's Auckland service have impacted on these results, as did a service reduction by Malaysia Airlines and Bali flight disruptions due to volcanic activity late in the reporting period. However these impacts have been offset by the strength of our other services, most notably Emirates' Dubai service and Cathay Pacific's direct Hong Kong flight.

Our other incumbent carriers including Singapore Airlines, Air New Zealand, Virgin Australia and Jetstar continue to serve our customers well.

We have had fruitful discussions with other airlines to expand our reach, with China and the US in particular part of our plans for future growth.

Domestically we recorded 2.3 per cent passenger growth for the year, which was ahead of the other major capital cities of Sydney, Melbourne, Brisbane and Perth. Helping with this result was the introduction of Virgin Australia's Alice Springs service linked with its Darwin flights.

Regional traffic has continued its downward trend, largely as a result of the downturn in regional mining activity.

Adelaide Airport continues to invest in infrastructure development. In the past financial year we have completed the expansion of the southern apron and increased our gate capacity for international arrivals and departures.

**Our teams focussed on  
the provision of a top tier  
customer experience.**



We now turn our attention to other significant projects, including the proposed development of an airport hotel, and expansion of the domestic and international terminal.

Adelaide Airport also continues to facilitate investment in on-airport infrastructure. Royal Flying Doctor Service has commenced construction of a new state-of-the-art aeromedical base on the western edge of the airport precinct, while Masters has completed construction of its home improvement store at Adelaide Airport and started construction of another store at Parafield Airport.

All of these projects are creating construction and other job opportunities, and meets our vision to create a vibrant mix of commercial, aviation, retail and leisure activities.

From a regulatory standpoint, we have successfully gained approval for the Adelaide Airport 2014 Master Plan from the Federal Minister for Transport. This document allows us to confidently plan for growth and investment for the next 5 years, with a further planning horizon of 20 years to allow for a more strategic, long-term view of both aeronautical and commercial activities.

At Parafield Airport, we continue to maintain strong relationships with the local community and invest in key infrastructure to support both our aviation and non-aviation tenants.

Adelaide Airport has always placed strong emphasis on the importance of our people, and the various roles they play in making our company so successful. This has been borne out in a number of ways this financial year.

Our commitment to investment in community organisations, programs and events has been endorsed by the South Australian Government. Earlier this year we received the Premier's Business Award for Corporate Social Responsibility as part of the 2015 State Volunteer Awards.

This award recognises both the partnerships we have formed with the likes of Surf Life Saving SA, Music SA and the Royal Flying Doctor Service, and the amazing efforts of our own staff in volunteering for activities such as tree planting and teaching people with disabilities to surf through Surfing SA.

Our environment team has helped us become the first airport in Australia to be certified internationally as Airport Carbon Accredited at Level 3 ('Optimisation') for reducing our carbon footprint and influencing our stakeholders to do the same. This accolade puts us in rare company in the Asia Pacific region alongside Hong Kong and Incheon international airports.

On the subject of sustainability, over the past year we've continued to replace our lights with more energy-efficient LED lighting both along our runways and within our buildings. We also purchased a plug-in electric vehicle for staff use around the airport.

Our teams are focussed on the provision of a top tier customer experience including 'security with service'.

Adelaide Airport also strongly encourages our people to provide innovative and 'out-of-the-box' ideas to assist our customers. One such initiative was extending the terminal's trading hours and providing entertainment for India and Pakistan cricket fans visiting for the World Cup match at Adelaide Oval, many of whom stayed overnight before catching flights the next day. This initiative attracted interest and praise from around the world, with news stories published in India and the UK.

I would like to thank our Board, shareholders, executive team and staff for their contributions in 2014/15. We have set a course for growth that will see us continue to be recognised as one of Australia's most modern, efficient and customer-friendly airports.



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**B**  
Board of  
Directors

**Rob Chapman**  
*Assoc Dip Bus, FAICD, FFSIA*  
Non-Executive Director and Chairman  
*appointed 25 February 2014*

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

**Mark Young**  
*B.Ec, FCPA, FAICD, FCIS*  
Managing Director  
*appointed 1 November 2011*

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

**Alan Mulgrew**  
*BA, GRAICD, JP*  
Non-Executive Director  
*appointed 6 September 2006*

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

**Anne Howe**  
*AM, MAICD*  
Non-Executive Director  
*appointed 29 June 2011*

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

**Jim Tolhurst**  
*B.Comm, MBA, FCPA, FCIS, FAICD*  
Non-Executive Director  
*appointed 29 September 2004*

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

**Jay Hogan**  
*MBA, AFAMI, JP*  
Non-Executive Director  
*appointed 29 July 2009*

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

**John Ward**  
*BSc, FAICD, FAIM, FCILT*  
Interim Chairman / Non-Executive Director  
*appointed 28 August 2002*

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

**Chris McArthur**  
*B.Eng, MBA, FAICD*  
Non-Executive Director  
*appointed 30 March 2011*

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

- 1 Rob Chapman
- 2 Mark Young
- 3 Alan Mulgrew
- 4 Anne Howe
- 5 Jim Tolhurst
- 6 Jay Hogan
- 7 John Ward
- 8 Chris McArthur

# Executive Directors

- 1 Mark Young
- 2 Sue Doyle
- 3 Shane Flowers
- 4 Brenton Cox
- 5 Vince Scanlon
- 6 Ken May
- 7 David Blackwell
- 8 Malcolm Andrews

**Mark Young**  
*Managing Director*

Responsible for providing and championing strategic initiatives, leadership development, driving proactive business development and engagement to deliver superior and sustainable stakeholder outcomes, ensuring a quality brand and custodian of a high quality corporate and customer service culture and facilities.

**Sue Doyle**  
*Executive General Manager People and Culture*

Responsible for people, performance, learning and development, marketing, brand development, community investment and executive services.

**Shane Flowers**  
*Chief Financial Officer*

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

**Brenton Cox**  
*Executive General Manager Corporate Affairs, General Counsel and Company Secretary*

Responsible for community consultation and communication, government and industry advocacy, environmental and sustainability initiatives, legal and commercial affairs, WHS, compliance, business continuity, insurance and risk management.

**Vince Scanlon**  
*Executive General Manager Airport Operations and Infrastructure*

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

**Ken May**  
*Executive General Manager Property*

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

**David Blackwell**  
*Executive General Manager Customer Service*

Responsible for all customer service related activities including service quality, passenger terminal operations, T1 retail, ground transport and the enterprise-wide functions of business systems and information technology.

**Malcolm Andrews**  
*Executive General Manager Business Development*

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



Soaring through  
the year on the wings  
of our vision.

**Financial Results**

- Revenue, which excludes interest - \$179.6 million (last year \$172.1 million).
- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties - \$107.8 million (last year \$102.0 million).
- Net profit before tax of \$52.3 million (last year net profit before tax of \$19.7 million). Excluding the fair value adjustment for investment properties the net profit before tax this year is \$25.0 million (last year \$9.4 million).
- Dividends on redeemable preference shares \$21.5 million (last year \$30.2 million).
- Increase in fair value of investment properties of \$27.3 million (last year increase of \$10.3 million).
- Credit Ratings maintained - Moody's at Baa2; Standard & Poor's at BBB. S&P and Moody's have maintained their stable outlook throughout the period.
- Successfully accessed the US private placement market for the first time with a bond issue, which will be used to refinance the upcoming AU\$285.0 million bond maturity as well as short term capital expenditure.

Revenue

**\$21.5  
million**

Dividends on redeemable shares

**\$179.6  
million\***

\*excl. interest

**\$27.3M**

Increase in fair value of  
investment properties

**\$52.3M**

Net profit before tax



## Financial Highlights

- Revenue (excluding interest) of \$179.6 million, up 4.4% from \$172.1 million in the prior year.
- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties of \$107.8 million, up 5.7% from \$102.0 million in the prior year.
- Net profit before tax of \$52.3 million (last year net profit before tax of \$19.7 million). Excluding the fair value adjustment for investment properties the net profit before tax this year is \$25.0 million (last year \$9.4 million).
- Dividends on redeemable preference shares of \$21.5 million (last year \$30.2 million). In addition special dividends of \$30.0 million (last year \$15.0 million) paid in the current year.
- Increase in fair value of investment properties of \$27.3 million (last year increase of \$10.3 million).
- Continued strong passenger growth with a 2.3% increase in domestic passengers and a 3.0% increase in international passengers.
- Baa2 and BBB credit ratings maintained with Moody's and Standard & Poor's.

## Cash Flow

After funding interest on borrowings and dividends on RPS, cash flow from operating activities was a positive \$42.5 million (last year \$27.8 million).  
The year-end cash position increased to \$84.2 million up from \$73.7 million in the prior year. Of this balance \$14.0 million (last year \$13.6 million) is quarantined in debt reserve accounts.

There has been a decrease in net assets resulting from:

- Current year profit after tax of \$36.5 million, offset by the payment of \$30.0 million in dividends during the period.
- Shift in the mark to market liability of the derivative financial instruments to \$46.2 million at balance date (last year \$24.5 million). The derivative financial instrument liability represents the fair value of interest rate and cross currency swap arrangements maintained in accordance with the Group's risk management policies to protect the underlying profitability of the company. The company's financial forecasts support the ability to settle these interest rate swaps as and when they fall due.

The Group's total of equity and RPS (being stapled securities) stands at \$253.6 million at the end of the year (last year \$258.9 million).

The working capital facility expires in December 2015.

Adelaide Airport Ltd (AAL) accessed the US private placement market with a US bond issue in May 2015. AAL priced US\$225 million and AU\$50 million in bonds split across 10, 12 and 15-year tranches. Funds raised equate to AU\$335.5 million. AAL's US bond issue will refinance the AU\$285 million bond that matures in September 2015 as well as short term capital expenditure.

## Income Statement

\$'000	2011	2012	2013	2014	2015
<b>Revenue</b>					
Aeronautical	84,157	75,829	79,934	84,987	88,287
Commercial trading revenue	31,823	31,800	36,716	42,212	45,262
Property Revenue	34,092	36,678	40,057	41,948	43,240
Other Revenue	1,989	1,868	1,699	1,992	1,938
Other Income	798	848	1,070	940	869
Total Revenue <sup>1</sup>	152,859	147,023	159,476	172,079	179,596
Increments/(decrements) in fair value of investment properties	9,713	5,900	11,305	10,277	27,345
Operating Expenses	(59,844)	(64,064)	(67,834)	(70,039)	(71,801)
EBITDA	102,728	88,859	102,947	112,317	135,140
EBITDA (Adjusted) <sup>2</sup>	93,015	82,959	91,642	102,040	107,795
Margin	60.8%	56.4%	57.5%	59.3%	60.0%
Depreciation and amortisation	(14,962)	(16,188)	(17,704)	(19,089)	(19,584)
EBIT	87,766	72,671	85,243	93,228	115,556
<b>Borrowing Costs</b>					
Interest on senior debt, net of interest income	(38,398)	(37,706)	(42,145)	(43,275)	(43,273)
Interest on Airport Notes/Dividends on RPS	(28,284)	(28,284)	(28,362)	(30,189)	(21,468)
Increments/(decrements) in fair value of financial instruments	-	-	-	-	1,520
Net Profit/(Loss) Before Tax	21,084	6,681	14,736	19,676	52,327
Income Tax (Expense)/Benefit	(4,791)	(2,037)	(4,234)	(5,934)	(15,841)
Net Profit (Loss) After Tax	16,293	4,644	10,502	13,742	36,486

1. Revenue presented above excludes interest revenue

2. Excludes adjustment in fair value of investment properties

## Balance Sheet

\$ million	2014	2015
Cash	73.7	84.2
Total Assets	1,057.2	1,107.9
Interest Bearing Liabilities (excl stapled securities)	650.4	671.7
Total Liabilities (excl stapled securities)	798.3	854.3
Total Equity (plus stapled securities)	258.9	253.6

## Capital Structure

Issue	Amount (\$ million)	Term
Working Capital Facility (\$20.0m available at year end)	\$20.0	Dec 2015
Bilateral Facility (Floating interest, \$32.5m available at year end)	\$165.0	Apr 2018
Medium Term Note (\$100m fixed interest)	\$265.0	Sep 2016
Medium Term Note (\$285m floating interest)	\$285.0	Sep 2015
Redeemable Preference Shares (RPS)	\$188.6	Jun 2024
US Bonds USD (\$285.5m deferred draw down in September 2015)	\$285.5	Sep-2025, 2027, 2030
US Bonds AUD (\$50.0m deferred draw down in September 2015)	\$50.0	Sep-2025, 2030

Consolidating  
our position as  
a financially  
strong company.



**Finishing the  
year in a strong  
position.**

**Financial Risk Management**

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

The Group has fixed loans and swaps in place which cover 86% of the loan principle outstanding.

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

The Group manages its exposure to foreign currency risk on its US\$ borrowings using cross currency swaps which cover 100% of the principal and interest payments.

**Credit Ratings**

The long term finance strategy of the Group continues to be reviewed by the rating agencies, Standard & Poor's and Moody's. BBB/Baa2 ratings with a stable outlook continue to be maintained with each of these agencies respectively.

**Financial Annual Report for the 12 months to 30 June 2015**

The Financial Annual Report for the 12 months to 30 June 2015 comprising:

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

is available on the company's website ([www.adelaideairport.com.au](http://www.adelaideairport.com.au)).

Alternatively a copy may be obtained from the Company Secretary.

# Operations



## Equipping ourselves to become a top tier business centre in the Asia Pacific region.

To support our strategic objective of developing leading and smart infrastructure, Adelaide Airport has completed a number of construction projects to prepare us to better serve our future requirements.

The Southern Apron expansion project was completed in June 2015. This \$15 million project delivered two narrow-body bays, one new wide-body bay with JUHI refuelling, two new regional aircraft parking positions and a re-configured landside road network.

In August 2014, the international gate expansion was completed, delivering two additional international gates.

We continue to improve our approach to optimising the life and maximising the use of our facilities to required standards. This year we have completed a major update to our Facilities Management Plan in accordance with ISO55001.

We are also focussed on asset efficiency. In 2015, runway guard lights were replaced; the new LED lights reducing power usage by half.

Our pursuit of operational excellence in safety and security remains a key strategic priority. The airport actively promotes industry best practice in all areas and we work closely with the Civil Aviation Safety Authority and Office of Transport Security to seek future outcomes that benefit the airport and the industry. Internally we work closely with our business partners, regulatory authorities and all industry participants through regular consultative forums.

Operational excellence comes from a focus on helping our staff to be more efficient in what they do. This year we have rolled out mobile reporting for our Airside Operations Officers with tablets, enabling real time operational reporting whilst out in the field.

Adelaide Airport continues to develop the 'One Team' culture with our security services provider ISS. Real time reporting and performance tracking is now in place for our security screening team, ensuring a continued focus on 100% compliance and a focus on optimising the positive contribution of each individual to operational excellence.

Our focus on the provision of security with service means we lead Australia in passenger facilitation. In August 2014, we opened a fourth screening lane in Terminal 1 to support desired service levels.

## Aeronautical Business Development

### Aeronautical Traffic Performance

Financial year	1998	2014	2015	Change against prior year	Change since privatisation
<b>Passengers</b>					
Domestic*	3,379,118	6,212,501	6,355,894	2.3%	88.1%
International	227,381	908,075	935,553	3.0%	311.4%
Regional	366,325	575,221	550,548	-4.3%	50.3%
Total (excluding transit passengers)	3,972,824	7,695,797	7,841,995	1.9%	97.4%
International Transit Passengers	31,107	31,245	500	-98.4%	-98.4%
Total (Including transit passengers)	4,003,931	7,727,042	7,842,495	1.5%	95.9%
<b>Aircraft movements</b>					
Regular Passenger Transport	70,204	79,909	80,014	0.1%	14.0%
General Aviation	35,076	23,792	24,016	0.9%	-31.5%
Total aircraft movements	105,280	103,701	104,030	0.3%	-1.2%
<b>Landed tonnes</b>					
Total landed tonnes	1,622,681	2,638,430	2,604,441	-1.3%	60.5%

\* Includes domestic on carriage

Adelaide Airport continues to develop as a major economic generator in South Australia, and over the next two decades plans to double the \$2 billion we already contributes annually to the State's economy.

Adelaide Airport has consolidated its overall traffic growth throughout 2014/15 on the back of again being Australia's fastest growing capital city airport in the 2014 calendar year. We expect continuing but more muted growth in the short term.

Domestic travel to and from Adelaide grew by 2.3% for the financial year, ahead of the other major capital city airports of Sydney, Melbourne, Brisbane and Perth. This was driven in part by Virgin Australia's successful launch of its Alice Springs service linking to Darwin.

International passenger numbers have remained solid with traffic growth of 7.7% on incumbent carriers as Adelaide and South Australia continues to become a destination of choice for growing major markets such as China, the US and Europe.

The system-wide international seat factor (percentage of seats occupied) rose 10% to 77.1% with incumbent operators benefiting from the unexpected withdrawal of AirAsia X and the withdrawal of Jetstar's Auckland service.

The arrival of Emirates in late 2012, coupled with the more recently introduced direct services by Cathay Pacific to and from Hong Kong, has significantly improved connections to many cities in mainland China and on a wider basis delivers more fresh options for our customers, as both airlines continue to expand their world-wide networks.

Traffic to Bali, served by Virgin Australia and Jetstar, surged at an impressive rate. Our other long established international carriers, Singapore Airlines and Air New Zealand, continued to serve their traditional markets of Singapore and Auckland respectively whilst also offering a raft of connections to South East & North East Asia, India, the Pacific Rim and North America.

Advancing in size and value.

Growing in visitors and connections.

Regional traffic has continued on its recent negative trend, in part due to the slowdown in regional mining activity. In a positive move, QantasLink commenced a service to Whyalla in April to add to their existing service to Port Lincoln. These destinations continue to be served by Rex and remain integral parts of their extended network from Adelaide, linking distant regional centres of Coober Pedy, Ceduna and Broken Hill alongside those of Mount Gambier, Kingscote and Mildura.

Other important regional connections to Port Augusta and Olympic Dam are offered by Sharp and Alliance, the latter in conjunction with Qantas.

# Customer Focus

Equipping ourselves to provide the highest levels of customer service and satisfaction.

Adelaide Airport's customer service teams have embarked on internationally benchmarked training in 2014/15 to build on our vision to provide exceptional outcomes for our customers now and into the future.

Adelaide Airport's Customer Service Business Unit is responsible for the majority of customer-facing activities including terminal operations, ground transport, retail, commercial and security screening. The unit also has responsibility for business and information services and the overall customer experience.

To achieve our vision to be a top tier Airport Business centre in Asia Pacific, we have developed two key customer themes: 'Your Experience Made Easy' and 'We Are Listening'.

In the past year, two executives and several senior managers participated in the Airports Council International training program titled 'Developing a Customer Service Culture at Airports'. One of the key deliverables from this training is the creation of the 'Promoting Airport Customer Excellence' working group. It is initially an internal working group, with the expectation that over time, it will expand to encompass a variety of customer facing tenants, contractors and business partners.

**Customer Satisfaction and Benchmarking**

What our customers say and feel about our services and facilities is integral to our management of the airport.

In addition to our ongoing participation in the global Airport Service Quality (ASQ) benchmarking program, we extended our customer satisfaction surveying to better understand passenger perceptions around important airport services and facilities, such as terminal cleanliness and toilet facilities, as well as the use of our new online car parking system.

**Information Booth**

Terminal 1's Information Booth is a vital customer touch point. Adelaide Airport completed arrangements for a new Booth operator to commence operations in early 2015. The new operator has a solid track record of running customer information services in Melbourne, Sydney and Perth.



**Airport Ambassadors**

2015 marks the 10<sup>th</sup> year of the Ambassador program at Adelaide Airport. The past 12 months has seen changes made to rosters, position description and the training and development of the Ambassador team. In early 2015 we provided Ambassadors with smartphones, allowing them to help travellers check flight details, access the internet, translate text and make phone calls. We are now well positioned to expand Ambassador services to further benefit our customers, such as expanded multilingual capabilities.

**Events**

In addition to the regular major events in South Australia, 2015 saw the Cricket World Cup come to Australia, with Adelaide Airport planning and executing its role in the event since 2013. The highlight was the India versus Pakistan match, where an estimated 1 billion television viewers witnessed the game. Adelaide Airport provided a range of supporting services and facilities, including opening the terminal on the night of the match and providing a movie viewing zone complete with beanbags.

The Liverpool Football Club event was another major sporting event that demanded significant operational and customer service planning. Feedback received from the event management made it clear that Adelaide Airport exceeded the expectations of this very discerning customer group.

**Taxi Operations**

As a significant customer-facing activity, the Taxi Concierge service is now regularly audited by a professional 'Mystery Shopper' and audit results provided to the Taxi Council South Australia (TCSA) for service delivery management.

Airport Ground Transport team members now participate in all taxi driver training courses (held on airport) to ensure that our operational and customer requirements are explained to all taxi drivers. This is a long term strategy to ensure that we assist the TCSA to maintain and, where possible, improve customer service levels.

Widening our horizons to become  
an Airport Business District that will  
be a next generation hub for  
South Australia.

In 2014/15, Adelaide Airport unveiled a new brand and a new Vision that will take us forward for the next 30 years and beyond. This Vision, in tandem with the approval of the 2014 Master Plan, sets us on a course to deliver further growth for the greater benefit of the South Australian economy.

A key part of the Vision has been the launch of the Airport Business District – a globally connected, next generation hub with designated industry clusters across a range of industries including mining and resources, freight and logistics, technology, office and warehousing, healthcare, government enterprises and emergency services.

**Adelaide Airport Master Plan (2014)**

The Adelaide Airport Master Plan (2014) highlights Adelaide Airport Limited's plans for airport growth and property development over the next 20 years, covering the inter-relationship between aviation services and envisaged commercial development.

Infrastructure projects in the shorter term period of 5 years are detailed, with a broader vision outlined for the ensuing 20-year timing horizon, as well as implications of aviation growth toward aeronautical and terminal facilities in an economic context, environmentally and the inter-dependence between off and on-airport infrastructure, including ground transport.

The Adelaide Airport Preliminary Draft Master Plan (2014) commenced public consultation in July 2014, which entailed direct liaison with Federal Government aviation authorities (Airservices Australia, Civil Aviation Safety Authority, Department of Infrastructure & Regional Development), State and local government, Federal and State Members of Parliament, community groups and presentations to the Airport Planning Co-ordination forum and liaison with the Adelaide Airport Consultative Committee. Public meetings and open days were also held throughout the 60-business day public consultation period.

Taking into account the views of State and local government and detailed input from the Federal Government authorities concerning aviation forecasts, due regard was given to community commentary allowing the draft Master Plan to be submitted to the Federal Minister for Infrastructure and Regional Development in November 2014, and receiving subsequent approval on 9 January 2015. This Master Plan now guides Adelaide Airport's operation and development over the next 5 years, against the current requirement for preparation of a new Master Plan for submission to the Minister by 2020.

**Airport Business District**

In conjunction with the re-branding of Adelaide Airport in October 2014 incorporating the guiding principles from the Adelaide Airport Master Plan (2014), the visionary outlook toward the progressive development of the Airport Business District was released. This vision encapsulates the entire Adelaide Airport, with a key focus toward commercial and hospitality activities for the Airport District Centre with interconnectivity to Terminal 1, the plaza and car park, plus future light rail transport linkages foreseen by the State Government in its 30-Year Plan for Greater Adelaide.

Arrangements for marketing of the Airport Business District commenced in the first half of 2015 through the appointment of real estate agents, the staged design of office buildings, identification of prospective users and the completion of the design guidelines for the 40,000m<sup>2</sup> to 50,000m<sup>2</sup> office park, including environmentally sustainable attributes. The design guidelines have also been completed for industrial precincts elsewhere in the Airport Business District where real estate marketing is expected to expand in 2015/16.



## A key focus toward commercial and hospitality activities for the Airport District Centre

### **Airport Hotel**

Following detailed research on hospitality and tourism trends, a comprehensive market analysis was completed by AHS Advisory on the demand parameters toward an Adelaide Airport hotel, leading in turn to the design attributes that allowed for direct connectivity to Terminal 1 and the interface between the plaza and the future Airport District Centre nearby. The marketing arrangements for an Expression of Interest campaign for investors and operators were also set in place with specialist real estate hospitality agent, Jones Lang La Salle.

A draft Airport Hotel Major Development Plan (MDP) was progressed in November 2014, being a refresh of one in existence since 2008.

Deputy Prime Minister approval was given for a shortened public consultation period of 30 business days for the MDP, thereby allowing completion of the draft document in January 2015, with public consultation occurring from 9 February 2015. Consultation occurred with State and Federal Members of Parliament from 2-6 February, along with the State and local government. Following the public consultation period, and taking into consideration the respective submissions received from Government authorities, tourism groups and the general community, the Airport Hotel

draft MDP was presented to the Deputy Prime Minister on 21 April 2015 with formal approval forthcoming on 4 June 2015.

The hotel developer/operator Expression of Interest campaign commenced on 30 March 2015 and continued until July 2015 resulting in a number of prospective partners, enabling further evaluation of the project with the aim of selection of a preferred scheme by the end of 2015.

### **Terminal 1 – Retail Transition Strategy**

Consistent with the detail included in the Airport Master Plan (2014) Terminal 1 expansion is foreseen during the next five years, which has implications on the various commercial retail tenancies and aviation services. Following the completion of preliminary expansion plans with a focus on expanding international and domestic air services to the central and northern end of Terminal 1, a retail transition strategy has been developed to cater for the progressive expanded delivery of the terminal retail experience within the next three to four years. Consistent with this, a number of shorter term lease renewals have been identified and actioned, allowing for revitalised customer experience throughout the retailing concourse by 2020.

### **Terminals & Business Precincts**

#### ***Masters Home Improvement***

Throughout 2014, a new 14,000m<sup>2</sup> Masters hardware store was constructed adjacent IKEA, with primary access gained from the direct signalised intersection on Sir Donald Bradman Drive. The store was completed and became operational in December 2014.

#### ***Avis***

Following temporary relocation of the Avis Car Storage compound from a site now accommodating the Masters store development, progress occurred with the new one-hectare Avis Car Storage compound facing Sir Hubert Wilkins Avenue from early 2014 and completed for occupation in September 2014.

#### ***Export Park***

A new tenancy occurred during the year for Air Menzies International from February 2015 as part of the aviation cargo growth strategy of the company in Adelaide.

# Masters

## Home Improvement

uarantee

Exit

### Taxi Council

The Taxi Council of South Australia commenced occupancy in April 2015 of a building in Frank Collopy Court acquired by Adelaide Airport Limited (AAL) in December 2014, which strategically directly adjoins the taxi lay-off hard stand.

### Tapleys Precinct

#### Royal Flying Doctor Service / MedSTAR

Significant progress was undertaken from October 2014 on site preparation works for the Royal Flying Doctors Service (RFDS) aeromedical facility to enable consolidation of its commercial and specialist air retrieval activities at its new site located adjacent to the Airservices Australia compound and Harbour Town.

AAL commenced development of the dedicated apron to cater for RFDS aircraft simultaneously and in March 2015 the new RFDS hangar / office complex commenced development. Completion is targeted for mid 2016.

The commercial arrangements were also concluded in June 2015 for the development of a new MedStar retrieval complex located on Sir Reginald Ansett Drive to the east of Harbour Town, which will in time focus aviation emergency services in the one locality adjoining both dedicated helicopter services and the RFDS fixed wing operation. The MedStar complex is expected to commence construction in late 2015 and be completed by early 2017.

### West Beach Precinct

Following the settlement of a new 20-year lease with the Peregrine Corporation for the 'On The Run' Petrol Station located on the corner of Tapleys Hill and West Beach Roads in 2014, upgrading plans were completed with works commencing in June 2015 for both the petrol station as well as the new construction of a Midas motor repair outlet, with this expected to be fully operational by September 2015.

### Parafield Airport

Consistent with the strategic aim of promoting expanded aviation training services at Parafield Airport, Hangar 4 and Building 3 Dakota Drive were acquired in May 2015. Ten-year leases over these building simultaneously commenced with Bruce Hartwig Flying School and O'Brien, with the former business expanding into several adjoining premises.

### Kesters Road Intersection

Approval for the development of the signalised Kesters Road intersection on Main North Road was obtained from the State Department of Planning, Transport and Infrastructure on 11 March 2015, with works commencing in June 2015 and targeted for completion by the end of 2015.

This intersection will improve access to developments in the Commercial Precinct at Parafield Airport.

### Masters / GIC Group / Cromwell

Following the commitment of leases with the GIC Group and Cromwell Property Group in May 2015, a sod-turning ceremony was undertaken on 12 June 2015 for the Masters Home Improvement complex, with works due for completion in mid 2016. Officeworks and Hungry Jacks will also occupy the premises.

### Park 'n' Ride – Parafield

The Commonwealth Department of Infrastructure and Regional Development (DIRD) has given its consent to the Park 'n' Ride lease adjoining the Parafield Railway Station. The final lease has been executed by the State Minister for Transport, with design tenders expected to be called in September 2015 for the initial development of 350 car spaces by mid 2016.

### Bunnings Lease Renewal

Bunnings exercised its option to renew the site lease for its store in the Commercial Estate Precinct for a further term of 15 years commencing 1 June 2015 and expiring on 31 May 2030.

### Big Bucket Car Wash

Big Bucket Pty Ltd and Sahram Pty Ltd (Big Bucket) as joint tenants have entered into a new lease for the site of the Big Bucket Car wash which extends their lease in the Commercial Estate Precinct at Parafield Airport until 2030.

The lessee has plans for substantial re-investment and upgrade of plant and equipment.

### Bruce Hartwig Flying School

Following a change of directors of Bruce Hartwig Flying School in mid 2014, Hartwig has aggressively pursued the training market.

From leasing one hangar in late 2014, Hartwig has now increased its leased premises to two hangars and four other buildings to accommodate its activities.





# Environment

## Leading the way in environmental and sustainability initiatives whilst collaborating with others to guide and influence change.

Adelaide Airport Limited has re-affirmed its status as an environmental leader in the aviation industry in 2014/15.

Our environmental compliance and sustainability goals include effecting change to those activities under our direct control, as well as influencing change through collaboration and negotiation with key stakeholders, whilst guiding others to realise change through awareness and education.

In May, Adelaide Airport became the first airport in Australia to be recognised by the global Airport Carbon Accreditation program for optimising our management and reduction of carbon emissions. We are now certified as Airport Carbon Accredited at Level 3 ('Optimisation') for reducing our carbon footprint whilst also working to guide and influence stakeholders to do the same, becoming just the seventh airport in the Asia Pacific region to reach this level.

We have realised a number of significant environmental achievements – in addition to our Airport Carbon Accreditation - in pursuit of the goals set out within our airport environment strategies, including:

- Ongoing implementation of carbon reduction projects, including trial of airfield LED lighting, partial lighting upgrade in Terminal 1, air conditioning set point re-programming and retrofit of office lighting;
- Establishment of a food waste composting program in partnership with Terminal 1 food and beverage tenants;
- Purchase of a plug-in electric vehicle and charging station for use in staff operations;
- Major expansion of the Terminal 1 apron incorporating stormwater treatment infrastructure;
- Revision and ongoing implementation of our contaminated site management plan in alignment with industry best practice;
- Design and construction approval of a new apron for the Royal Flying Doctor Service, using LED apron lighting; and
- Design and construction approval for an irrigated airfield vegetation trial in partnership with SA Water, using harvested and treated stormwater from Keswick-Brownhill Creek.



# Our People

Raising the standards of service and performance by promoting a culture of excellence.



Our people are our greatest asset – and we say that with good reason. It is only with the determination and dedication of our people that we can deliver exceptional outcomes to our customers, partners, and shareholders and contribute to the wider community.

With a response rate of 80%, results from our annual staff engagement survey (which evaluated areas of development, leadership, culture and staff satisfaction) showed staff engagement was at an all-time high of 71.6% (up from

63.1% in 2013). The category ratings for every area of engagement improved in 2014. A full year ahead of target, this places Adelaide Airport Limited (AAL) as ‘top employer’ and ‘high performance’ status when benchmarked against other organisations.

AAL is building a culture of professionalism, excellence, responsiveness and achievement. During the year we introduced a new performance management system, which provides a structured approach by which managers and employees

work together to plan, clarify, monitor and review an employee’s work objectives and overall contribution to the company. More than an annual review, the new system aligns with company values, standards (attitudes and behaviours) and our strategic direction. The setting of key performance indicators (KPIs), ‘connecting conversations’ and development plans are a significant part of our performance management system along with 180-degree assessments of our leadership framework for managers and team leaders.

In pursuit of excellence in customer service, this year we launched ‘Our Promise to Each Other’ - an internal standard that describes the commitment, attitude and behaviours expected of us to maintain a culture of great customer service. ‘Our Promise’ ensures we hold ourselves and each other to account, and ultimately defines how we are perceived as a company. Based on this standard, internal customer service was measured for the first time in this year’s staff engagement survey. Staff were asked to rate

each department on how well they were demonstrating their commitment to ‘Our Promise’ and results have provided us with a benchmark across the business. As a starting point, the average team is delivering “good” customer service.

One of the commitments within ‘Our Promise’ asks employees to “know and respect our colleagues and understand the business unit they work in”. Therefore, to enable staff to gain a better understanding of how our business operates, we developed ‘A Day in the Life’ program

where individuals are given the opportunity to spend a short time in another department. This program will allow them to “walk a mile in a colleagues shoes”, thus giving them the opportunity to better understand the nominated business unit and the tasks that their colleagues perform. This program also assists with career planning and personal development plans.



# Our Community

Adelaide Airport Limited (AAL) views its relationship with the local community as an integral part of successfully operating a growing domestic and international airport. Our relationship with the local community starts at the top and seeks to involve all of our employees – from high level consultation on airport operations through to volunteering in the community.

We take a strategic partnership approach to community investment to ensure our support enhances community benefit, employee engagement and complements our corporate and business goals.

Our Community Investment Program is making a difference to the lives of people connected to the organisations that we support. From financial assistance to employee volunteers, we have created tangible benefits across the environment, disability sector, arts, sport and charitable partners. This impact includes:

- Surf Life Saving SA: The provision of Inflatable Rescue Boats to all inner-metropolitan surf life saving clubs has significantly contributed to the efforts of SLSA in performing 157 rescues to date, which in turn has saved lives.
- Music SA: Adelaide Airport has distributed limited-edition, download-only music compilations featuring South Australian artists to thousands of travellers, spreading the talents of local musicians around the globe.
- Tree planting: More than 30,000 native trees, shrubs, and groundcovers have been planted by school students and volunteers, including airport employees, within the Patawalonga Creek catchment.
- Barkuma Inc: In addition to financial support for the disability organisation, AAL has employed a client of Barkuma within its administration office for the past four years.
- Surfing SA: AAL employees have volunteered their time to assist Surfing SA in teaching people with disabilities to surf. To date, this has provided more than 450 individual lessons.

- Royal Flying Doctor Service: Adelaide Airport's investment is helping to ensure more isolated South Australians receive much-needed oral health care. Our employees have accompanied RFDS teams on trips to experience this work first-hand.

Recognising our role as a tourism ambassador and gateway to South Australia, Adelaide Airport partners with leading cultural organisations such as the Art Gallery of SA, South Australian Museum, the South Australian Tourism Commission and major events such as the Adelaide Festival and Adelaide Fringe.

Our efforts in this area were recognised earlier this year by the South Australian Government, with Adelaide Airport receiving the 2015 Premier's Award for Corporate Social Responsibility for our partnership approach to community investment.

## Community Consultation

The future growth of our business, and of the State, will continue to be compatible with surrounding land uses through ongoing consultation with local stakeholders.

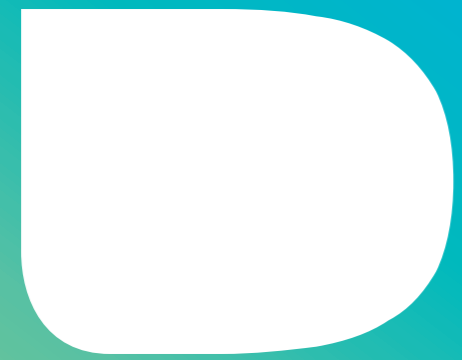
Adelaide and Parafield Airports both engage formally and informally with the community through a comprehensive consultation and communications program.

We conduct quarterly meetings of the airports' consultative committees and actively participate in presentations and engagement with community service clubs. Our printed newsletter 'Plane Talk' is circulated locally and we also use our website and social media channels to reach interested individuals and organisations.

Open and productive relationships with key stakeholders across industry and government foster productive outcomes for the State. For example, at Adelaide Airport, collaboration and coordination between the airport and State Government is critical for securing new international airline capacity.

The relationship and cooperation with our landlord and regulator, the Commonwealth Department of Infrastructure and Regional Development, is required for our current operations and future plans.

Other relationships with stakeholders include Federal, State and local governments, our customers, on-airport tenants including retailers, airlines, and AAL shareholders. Local businesses, residents, employers, exporters, importers, tourism operators and the wider community also rely on a successful airport business.



**Globally recognised for aviation training. Locally acknowledged for community support.**



Parafield Airport Limited (PAL) is a wholly owned subsidiary of Adelaide Airport Limited, and is operator of Parafield Airport, South Australia's premier general aviation aerodrome and a major world class international training airport. Renowned for delivering excellence in training, the airport is home to several flight training schools and is a business and retail hub for the northern suburbs.

In February, Jaron Degnan was awarded the 2015 Parafield Airport Youth Training Scholarship. The scholarship offered by PAL for the fourth year in a row in conjunction with Flight Training Adelaide, the City of Salisbury and Northern Futures, includes tuition fees, uniforms and training materials. This is part of Parafield Airport's commitment to investing in the local community, open to anyone aged 18-25 who is active or lives in the greater Salisbury catchment area.

Jaron is now well on the way to obtaining a Commercial Pilot Licence before the year is out, giving him a great start in his dream aviation career.

Parafield Airport is conscious of the need to maintain its strong ongoing relationship with the community and considers public consultation an integral part of normal airport business. The Parafield Airport Consultative Committee and the sub-committee, the Parafield Airport Technical Working Group, continue to be effective in engaging and collaborating with the community.

The strong investment strategy in Parafield Airport infrastructure has continued throughout the year with maintenance projects including concrete surface protection project of concrete aprons, installation of swale drains on two taxiways to prevent erosion, re-surfacing of the southern perimeter road, resurfacing of the western apron shoulder and re-sheeting of Hangar 59.

Parafield Airport continues to invest in the community through its sponsorship program, supporting local events such as the Mobarra Japanese Festival at Mawson Lakes, the City of Salisbury Australia Day Picnic and monthly Northern Business Breakfast events for businesses based in Adelaide's northern suburban area.

# Corporate Governance

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

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

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

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

## Board Composition

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

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

The Directors may appoint one of their number as Chairman or an independent Chairman who would become a Director if so appointed. The Chairman is required to meet regularly with the Managing Director. The Board has the right to appoint Directors under the Company's Constitution.

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

## Board Responsibilities

The responsibilities of the Board include:

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

## Board Members

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

## Directors' Independence

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

## Non-Executive Directors

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

## Term of Office

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

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

## Chairman

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

## Managing Director

The Managing Director is responsible for contributing to the development of Group strategies and policies, and for the implementation of those strategies and policies.

## Commitment

The Shareholders Agreement requires that the Board meets at least once in each quarter of the financial year. Current practice is to hold a minimum of 10 meetings per annum.

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

## Conflicts of Interests

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

## Independent Professional Advice

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

## Performance Assessment

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

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

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

## Corporate Reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

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

## Board Committees

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

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

Minutes of committee meetings once signed by the Chair of the committee are tabled at the immediately subsequent Board meeting. Details of the meetings of committees and attendance of committee members are set out in the Directors' report under the heading "Meetings of Directors" in the annual statutory accounts for the Group.

## External Auditors

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

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

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

## Risk Assessment and Management

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

Considerable importance is placed on maintaining a strong control environment.

There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Company Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

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

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

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

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

## Diversity

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

## Code of Conduct

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

## Shareholder Communication

All shareholders receive a copy of the Company's annual and half-yearly reports.

In addition those reports are accompanied by a detailed report on the performance of the Group and other material issues prepared by the Managing Director.

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



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