



Towards Our Vision

Financial Report 2014/15



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DIRECTORS' REPORT

*Adelaide Airport Limited
Directors' report
30 June 2015*

Your Directors present their report on the consolidated entity consisting of Adelaide Airport Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015 (referred to hereafter as the Group or Adelaide Airport Limited or 'AAL').

DIRECTORS

The following persons were Directors of Adelaide Airport Limited during the whole of the financial year and up to the date of this report:

Robert Ian Chapman

John Frederick Ward

Mark Dennis Young

Alan James Mulgrew

James Leonard Tolhurst

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

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

An ordinary dividend for the year ended 30 June 2015 of 15.76 cents (2014: 7.88 cents) per fully share was paid in two equal instalments on 29 December 2014 and 30 June 2015.

Dividends on Redeemable Preference Shares, which are classified as finance costs, amounting to \$21.468 million were provided for during the year (30 June 2014: \$30.189 million).

| | Consolidated | |
|--------------------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Final ordinary dividend | 15,000 | 15,000 |
| Interim ordinary dividend | 15,000 | - |
| Redeemable Preference Share dividend | 21,468 | 30,189 |
| | 51,468 | 45,189 |

REVIEW OF OPERATIONS

The profit from ordinary activities before income tax amounted to \$52.327 million (2014: \$19.677 million)

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

(a) Aeronautical services

Year on year aeronautical revenue of \$88.287 million (2014: \$84.987million) represented an increase of 3.8% principally due to increases in aeronautical volumes with actual passenger growth of 1.9%.

(b) Non-aeronautical services

Commercial trading revenue of

\$45.262 million (2014: \$42.212 million) represented an increase of 7.20% or \$3.050 million driven mainly by increased passenger throughput. Property revenue of \$43.240 million (2014: \$41.949 million) represented a 3.0% increase on prior year, principally due to annual rental increases and new tenancies.

Investment property fair valuations saw an 8% (2014: 7.5%) increase in value, this was largely due to a decrease in cash rates driving capital towards higher yielding assets including commercial property and a number of successful property deals in the course of the year including a new development at the Parafield Commercial Estate.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Working Capital Deficiency

The Group had current liabilities in excess of current assets as at 30 June 2015 amounting to \$244.957 million. This deficiency is caused by the classification of \$285.00 million of the Group's Medium Term Notes (the 2015 MTNs) as a 'current' liability as they mature in mid-September 2015. In April 2015 The Group established a US Private Placement Bond of A\$335.50 million on a deferred draw basis with the funds scheduled to replace the maturing 2015 MTNs in mid-September 2015. The US Private Placement Bond covers the maturing 2015 MTNs and an allowance for upcoming capital expenditure.

The directors are satisfied that there are reasonable grounds to believe that funds will be available to pay debts as and when they become due and payable.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2015 that has 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 information on likely 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's Limited's (AAL) vision is to be a top tier Airport Business Centre in Asia Pacific, striving to deliver high quality facilities and services that are regarded as best in class, safe, secure and sustainable. As such, we are committed to managing and developing Adelaide and Parafield Airports in a sustainable manner. We are already a national leader in airport carbon management, being the first Australian airport achieving Airport Carbon Accreditation by Airports Council International. We are also commencing utilisation of treated stormwater from the world-class Airport Stormwater Harvesting Scheme for the purposes of airfield irrigation.

These and other successes are underpinned by a philosophy to act in accordance with sustainable business principles and practices. In doing so we recognise that conducting business in a way that is environmentally, socially and economically responsible will enable our organisation to maintain a leadership position.

All compliance obligations, including those set under the Airports Act 1996 and Airports (Environment Protection) Regulations 1997, are rigorously pursued and monitored through our Environment Management System, and we continue to meet and, where possible, exceed relevant compliance standards.

INFORMATION ON DIRECTORS

Mr Robert (Rob) Ian Chapman, AssocDipBus FAICD, FFSIA Chairman

Rob was appointed to the Board as Chairman on 25 February 2014 and prior to this enjoyed an extensive executive career within the financial services industry, having acted as both the Chief Executive Officer of St. George Banking Group (2010 to 2012) and the Managing Director of BankSA (2002 to 2010). Prior to these roles Rob had previously worked in Prudential Corporation, Colonial State Bank and the Commonwealth Bank across a variety of positions.

Rob currently serves as a Director on a number of prominent South Australian Boards including: Adelaide Football Club (Chairman), the South Australian Economic Development Board (Deputy Chairman), Tafe SA, Barossa Infrastructure Ltd (Chairman), Perks Integrated Business Services (Chairman), Fortis Ago Corporate Advisory (Chairman), Vinomofo (Director) and is also the immediate past Chairman of BankSA, having resigned this position in July 2014. Rob is also a Member of the South Australian Economic Development Cabinet.

Rob is a Fellow of the Australian Institute of Company Directors and Financial Services Institute of Australasia and holds an Associate Diploma in Business from the South Australian Institute of Technology in 1982.

Special responsibilities

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

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 and Director of Brisbane Airport Corporation Holdings. John is the immediate past Chairman of Wolseley Private Equity.

Special responsibilities

Chair of the Remuneration Committee

Member Audit & Compliance Committee

Member of the Property Development Committee

Member of the Aeronautical & Related Infrastructure 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, Mark was Finance Director for Macmahon Holdings Limited and 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 the Asia Pacific.

Mark is a non executive director of the Australian Airports Association, the South Australian Tourism Commission and the Airports Council International (Asia Pacific Regional Board).

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

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 Tesla Corporation Pty Ltd, Queensland Airports Limited, Blue Lake Milling Pty Ltd and Cooperative Bulk Handling Ltd. He was formerly the Chairman of Tourism Western Australia, Western Power and Western Carbon Pty Ltd.

Alan has also served as Chairman and as a member on various Audit and Risk Management Committees related to Governance and Remuneration.

Special responsibilities

Chair of the Aeronautical & Related Infrastructure Committee

Member Property Development and Building Committee

Member of the Remuneration Committee

INFORMATION ON DIRECTORS (CONTINUED)

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 the immediate past Chairman of the Queensland Airports Ltd group of companies, and is currently a non executive 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 Property Development and Building 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 Statewide Super. Jay has over 40 years' experience in the property development and construction industry around Australia and overseas across a broad range of property asset classes. Jay is currently Chairman of Mercure Kangaroo Island Lodge and was formerly Chairman of the Urban Construct Development Group, Bremerton Vintners 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

Christopher John McArthur B.Eng., MBA, FAICD 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 a Partner, Infrastructure Investments, at Colonial First State Global Asset Management, having joined in July 2007. Chris is a Director of Brisbane Airport Corporation Holdings and 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 an 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 15 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 an alternate director of Etihad Stadium and Brisbane Airport. 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 funds management, having joined UniSuper in November 2009. 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 \$5.9B Property portfolio, \$5.8B Infrastructure portfolio and \$0.3B 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 secretary Brenton Cox, LLM (Cantab), LLB (Hons), GDLP, BCom (Acc), BFin

Brenton was appointed Executive General Manager Corporate Affairs, General Counsel and Company Secretary of Adelaide Airport at the end of 2013. Brenton has previously served as a non-executive director of Sydney Airport and Hobart Airport and spent most of his career with Macquarie Capital in London and Sydney, MAp Airports and Sydney Airport. Brenton started his career as a commercial lawyer for Fisher Jeffries and has a Masters of Law from Cambridge University in the UK, a First Class Honours Degree in Law from Adelaide University as well as a Bachelor of Commerce (Accounting and Corporate Finance) and Bachelor of Finance from Adelaide University. Brenton is admitted to practise as a solicitor and barrister of the Supreme Court of South Australia and the High Court of Australia.

Shane Flowers, BSc, MSc, FCA, MAICD

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 a Fellow of the Institute of Chartered Accountants in Ireland, a Member of the Australian Institute of Company Directors and has Bachelors and Masters degrees in Economics.

Shane is a non-executive director and Chair of the finance committee for the Jam Factory.

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 2015, and the numbers of meetings attended by each Director were:

| | Full meetings of directors | | Meetings of committees | | | | | | | |
|---------------------------|----------------------------|----|--------------------------------|---|------------------------|---|--------------------------------|----|---|----|
| | | | Audit and Compliance Committee | | Remuneration Committee | | Property Development Committee | | Aeronautical & Related Infrastructure Development Committee | |
| | A | B | A | B | A | B | A | B | A | B |
| Robert Ian Chapman | 10 | 10 | 6 | 6 | 2 | 2 | 10 | 10 | 10 | 10 |
| John Frederick Ward | 9 | 10 | 6 | 6 | 2 | 2 | 9 | 10 | 9 | 10 |
| Mark Dennis Young * | 10 | 10 | 6 | 6 | 2 | 2 | 10 | 10 | 10 | 10 |
| Alan James Mulgrew | 10 | 10 | - | - | 2 | 2 | 10 | 10 | 9 | 10 |
| James Leonard Tolhurst | 10 | 10 | 6 | 6 | 2 | 2 | 10 | 10 | 10 | 10 |
| Jay Hogan | 10 | 10 | - | - | - | - | 10 | 10 | 10 | 10 |
| Christopher John McArthur | 10 | 10 | 6 | 6 | - | - | 10 | 10 | 10 | 10 |
| Anne Dorothy Howe | 10 | 10 | - | - | - | - | 10 | 10 | 10 | 10 |
| Alan Shang Ta Wu ** | - | - | - | - | - | - | - | - | - | - |
| Kent Ian Robbins ** | - | - | - | - | - | - | - | - | - | - |

A = Number of meetings attended as a member

B = Number of meetings held during the time the Director held office or was a member of the committee during the period

* = Not a non-executive Director

** = Alternate Director

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 9.

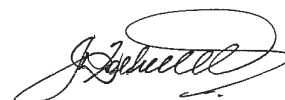
ROUNDING OF AMOUNTS

The Company 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.



Mark Dennis Young
Director



James Leonard Tolhurst
Director

Adelaide
29 September 2015

Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Airport Limited for the year ended 30 June 2015, 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
29 September 2015

FINANCIAL STATEMENTS

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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 directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 29 September 2015. The Directors have the power to amend and reissue the financial statements.

ADELAIDE AIRPORT LIMITED CONSOLIDATED INCOME STATEMENT FOR THE YEAR

ENDED 30 JUNE 2015

| | Notes | Consolidated | |
|--|-------|------------------------|------------------------|
| | | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Revenue from continuing operations | 3 | 178,727 | 171,140 |
| Increments in fair value of investment properties | 11 | 27,345 | 10,277 |
| Other income | 4 | 869 | 940 |
| Employee benefits expense | | (14,570) | (13,821) |
| Services & Utilities | | (40,844) | (40,006) |
| Consultants & Advisors | | (4,678) | (4,477) |
| General administration | | (6,523) | (6,610) |
| Leasing & Maintenance | | (5,164) | (5,135) |
| Profit/(loss) on disposal of property, plant & equipment | | (22) | 10 |
| Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) | | 135,140 | 112,318 |
| Interest income | 4 | 2,569 | 1,190 |
| Finance costs | | (67,310) | (74,654) |
| Depreciation & Amortisation expense | 5 | (19,584) | (19,089) |
| Impairment of property, plant & equipment | | (8) | (88) |
| Increments in fair value of financial instruments | | 1,520 | - |
| Profit before income tax | | 52,327 | 19,677 |
| Income tax expense | 6 | (15,841) | (5,934) |
| Profit for the period | | 36,486 | 13,743 |

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ADELAIDE AIRPORT LIMITED: FINANCIAL ANNUAL REPORT 2015

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

ADELAIDE AIRPORT LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | Consolidated | |
|--|--------------------|------------------------|------------------------|
| | | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Profit for the period | | 36,486 | 13,743 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Changes in the fair value of cash flow hedges, net of tax | 24(a), 1(l) | (10,619) | 6,776 |
| Changes in the fair value of foreign currency basis spread reserve, net of tax | 24(a) | (1,517) | - |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Gain on revaluation of land and buildings, net of tax | 24(a) | 77 | 5,897 |
| Other comprehensive income for the period, net of tax | | (12,059) | 12,673 |
| Total comprehensive income for the period | | 24,427 | 26,416 |

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

ADELAIDE AIRPORT LIMITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2015

| | | Consolidated | |
|--------------------------------------|-------|------------------------|------------------------|
| | Notes | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 84,234 | 73,733 |
| Trade receivables | 8 | 14,129 | 11,446 |
| Other receivables | | 6,937 | 7,076 |
| Total current assets | | 105,300 | 92,255 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 367,564 | 359,267 |
| Intangible assets | 13 | 185,210 | 184,670 |
| Prepaid operating lease | 10 | 124,478 | 119,805 |
| Investment properties | 11 | 325,330 | 301,210 |
| Total non-current assets | | 1,002,582 | 964,952 |
| TOTAL ASSETS | | 1,107,882 | 1,057,207 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 21,081 | 17,547 |
| Borrowings | 15 | 284,874 | 1 |
| Derivative financial instruments | 21 | 33,261 | 14,017 |
| Current tax liabilities | | 7,181 | - |
| Provisions | 16 | 3,430 | 3,971 |
| Other current liabilities | 17 | 430 | 516 |
| Total current liabilities | | 350,257 | 36,052 |
| Non-current liabilities | | | |
| Borrowings | 18 | 575,431 | 838,862 |
| Deferred tax liabilities | 19 | 100,968 | 98,109 |
| Provisions | 20 | 1,283 | 687 |
| Derivative financial instruments | 21 | 12,892 | 10,490 |
| Other non-current liabilities | 22 | 2,096 | 2,480 |
| Total non-current liabilities | | 692,670 | 950,628 |
| TOTAL LIABILITIES | | 1,042,927 | 986,680 |
| Net assets | | 64,955 | 70,527 |
| EQUITY | | | |
| Contributed equity | 23 | 1,905 | 1,905 |
| Other reserves | 24(a) | (17,464) | (5,406) |
| Retained earnings | 24(b) | 80,514 | 74,028 |
| TOTAL EQUITY | | 64,955 | 70,527 |

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

ADELAIDE AIRPORT LIMITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

Attributable to owners of Adelaide Airport Limited

| Consolidated | Notes | Contributed equity \$'000 | Reserves \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-------|------------------------------|--------------------|-----------------------------|------------------------|
| Balance at 1 July 2013 | | 1,905 | (18,079) | 75,286 | 59,112 |
| Profit for the year | | - | - | 13,742 | 13,742 |
| Other comprehensive income | 24 | - | 12,673 | - | 12,673 |
| Total comprehensive income for the period | | - | 12,673 | 13,742 | 26,415 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 25 | - | - | (15,000) | (15,000) |
| Balance at 30 June 2014 | | 1,905 | (5,406) | 74,028 | 70,527 |
| Balance at 1 July 2014 | | 1,905 | (5,406) | 74,028 | 70,527 |
| Profit for the year | | - | - | 36,486 | 36,486 |
| Other comprehensive income | | - | (12,058) | - | (12,058) |
| Total comprehensive income for the period | | - | (12,058) | 36,486 | 24,428 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 25 | - | - | (30,000) | (30,000) |
| Balance at 30 June 2015 | | 1,905 | (17,464) | 80,514 | 64,955 |

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

ADELAIDE AIRPORT LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

| | | Consolidated | |
|--|-------|------------------------|------------------------|
| | Notes | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 199,345 | 189,713 |
| Payments to suppliers and employees (inclusive of GST) | | (92,295) | (89,413) |
| | | 107,050 | 100,300 |
| Interest and other borrowing costs paid | | (43,397) | (43,372) |
| Income taxes (paid)/received | | (633) | - |
| RPS dividend | | (23,113) | (30,189) |
| Interest Received | | 2,548 | 1,072 |
| Net cash inflow from operating activities | 34 | 42,455 | 27,811 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment and investment properties | | (26,284) | (18,156) |
| Proceeds from sale of property, plant and equipment | | 13 | 12 |
| Payments for other non-current assets | | (977) | (1,367) |
| Net cash (outflow) from investing activities | | (27,248) | (19,511) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 25,295 | 3,414 |
| Repayment of borrowings | | (1) | (5) |
| Dividends paid to company's shareholders | 25 | (30,000) | (15,000) |
| Net cash (outflow) from financing activities | | (4,706) | (11,591) |
| Net increase (decrease) in cash and cash equivalents | | 10,501 | (3,291) |
| Cash and cash equivalents at the beginning of the financial year | | 73,733 | 77,024 |
| Cash and cash equivalents at end of period | 7 | 84,234 | 73,733 |

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

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financial statements
30 June 2015

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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 periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Adelaide Airport Limited and its subsidiaries.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Adelaide Airport Limited is a for-profit entity for the purpose of preparing the financial statements.

i. 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).

ii. 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 2014 materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

iii. Early adoption of standards

Early adoption of AASB 9 Financial Instruments

The Group has elected to early adopt new and revised Standards and interpretations, issued by the AASB, including AASB9 "Financial Instruments", which are not yet mandatory.

The Group elected to early adopt the AASB 9 'Financial Instruments' (2010) version including the hedge accounting chapter (added by AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial

Instruments'), together with relevant consequential amendments to other standards, with a date of initial application of 1 July 2014 (mandatory adoption date is 1 January 2018).

The Group has adopted the two main phases relating to classification and measurement of financial assets and financial liabilities and hedge accounting. The update to AASB 9 as issued in December 2014 which includes impairment has not yet been adopted by the Group as it was not issued by the AASB as at 1 July 2014. The impairment chapter of this standard is not expected to have a material impact to the Group, however the Group is yet to assess its full impact. The new standard provides a simplified model for classifying and recognising financial instruments, and amends the hedge accounting requirements to align more closely with an entity's risk management framework. The group decided to early adopt the standard as the new accounting policies would provide more reliable and relevant information. The new accounting policies and the impact on the Group financial statements are discussed in Note 1(k) and (l). In accordance with the transitional provisions in AASB 9, comparative figures have not been restated

iv. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial liabilities (including derivative instruments) at fair value and investment property.

v. 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.

vi. Current and net asset deficiency

Working Capital Deficiency

The Group had current liabilities in excess of current assets as at 30 June 2015 amounting to \$244.957 million.

This deficiency is caused by the reclassification of \$285.00 million of the Group's Medium Term Notes (the 2015 MTNs) which have been refinanced and committed on 29 June 2015 with the facility available for drawdown in September 2015 on similar terms to the existing instruments. The directors are satisfied that there are reasonable grounds to believe that funds will be available to pay debts as and when they become due and payable.

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 2015 and the results of all subsidiaries for the period 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adelaide Airport Limited
Notes to the consolidated
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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 Revenue

Aeronautical revenues comprise landing fees based on the Maximum Take Off Weight (MTOW) of 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 Revenue

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.

d. Government grants

Grants from the State and Federal government 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 profit or loss 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 profit or loss 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 in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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.

The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

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

Current and deferred tax 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adelaide Airport Limited
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(continued)

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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable 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. Financial assets, financial liabilities

i. Classification

From 1 July 2014, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

ii. Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

iii. Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. See note (j) for details on trade receivables.

Fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through profit or loss:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

There have been no changes to the measurement of any existing financial assets or liabilities arising from the adoption of AASB 9.

I. 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 designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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 21. Movements in the hedging reserve in shareholders' equity are shown

in note 24. 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.

Accounting policies applied from 1 July 2014

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.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for at the time of the hedge relationship rebalancing.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair

value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Foreign currency basis spread reserve

The foreign currency basis spread reserve represents the fair value movement of the currency basis spread component of AAL's cross currency interest rate swaps which has been excluded from the hedging relationship. The currency basis spread component of the swaps is deferred in equity as a cost of hedging and released to the income statement over the life of the instruments.

There has been no change to the measurement or classification of any existing derivatives or hedged items arising from the adoption of AASB 9.

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 values 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adelaide Airport Limited
Notes to the consolidated
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(continued)

n. Property, plant and equipment

The Group measures runways, taxiways, aprons, buildings, leasehold improvements and all other items of property, plant and equipment, excluding investment property (note (p)) at 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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit

or loss during the reporting period in which they are incurred.

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 years | straight line |
| Leasehold improvements (including runways, taxiways and aprons) | 8 yrs - balance of lease term | straight line |
| Plant & Equipment | 3 -25 years | straight line |
| Computer & Other office equipment | 2.5 - 5 years | straight line |
| Furniture & Fittings | 10 - 16 years | straight line |
| Low value asset pool | 3 years | diminishing value |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 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 Airports 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 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.

iii. Master planning costs

The Airports Act 1996 requires that a master plan be prepared for Adelaide and Parafield Airports and that these remain in force for a period of 5 years from the date of approval or until it is replaced by a new plan expected to be submitted 5 yearly. The costs of the preparation of the required master plans have been recorded as an intangible asset and will be amortised over the expected life of the plans being 5 years.

s. Trade and other payables

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 or sale. 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 end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adelaide Airport Limited
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w. Employee benefits

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. Executive Incentive Plan (EIP)

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 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 the agreed date of 18 July 2024. Each RPS is stapled to an ordinary share in Adelaide Airport Limited. Interest payable is subject to there being distributable cash calculated in accordance with the terms of a Loan Note Deed Poll.

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

The RPS are classified in the balance sheet as non current liabilities, because they are a debt instrument.

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 Company 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 statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

aa. Impact of standards issued but not yet applied

AASB15 Revenue from Contracts with Customers (effective for financial years commencing on or after 1 January 2018). This standard will replace AASB118 Revenue which covers contracts for goods and services and AASB111 Construction Contracts which covers construction contracts. The standard will be effective for the 30 June 2018 financial year.

ab. Parent entity financial information

The financial information for the parent entity, Adelaide Airport Limited, disclosed in note 36 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 when its right to receive the dividend is established.



2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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(continued)

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 assumptions

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

i. Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in 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 11 and 21.

3. REVENUE

| | Consolidated | |
|-----------------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| From continuing operations | | |
| <i>Sales revenue</i> | | |
| Aeronautical revenue | 88,287 | 84,987 |
| Commercial trading revenue | 45,262 | 42,212 |
| Property revenue | 43,240 | 41,949 |
| Other revenue | 1,938 | 1,992 |
| | 178,727 | 171,140 |

4. OTHER INCOME

| | Consolidated | |
|---------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Other income | | |
| Interest income | 2,569 | 1,190 |
| Other income | 869 | 940 |
| Total other income | 3,438 | 2,130 |

5. EXPENSES

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(continued)

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---|------------------------|------------------------|
| Profit before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Plant and equipment | 6,500 | 6,141 |
| Leasehold improvements and buildings | 11,138 | 11,343 |
| Total depreciation | 17,638 | 17,484 |
| <i>Amortisation</i> | | |
| Property lease | 436 | 170 |
| Prepaid operating lease | 1,510 | 1,435 |
| Total amortisation | 1,946 | 1,605 |
| Total depreciation and amortisation | 19,584 | 19,089 |
| <i>Impairment of Assets</i> | | |
| Impairment of property, plant & equipment | 9 | 88 |
| <i>Rental expense relating to operating leases</i> | | |
| Minimum lease payments | - | 175 |
| Total rental expense relating to operating leases | - | 175 |
| <i>Finance costs</i> | | |
| Dividends on RPS paid and/or provided | 21,468 | 30,189 |
| Interest paid or payable | 45,941 | 43,364 |
| Amortisation of borrowing costs | 1,613 | 1,514 |
| Redemption Premium Expense | 219 | - |
| Amount capitalised | (1,931) | (413) |
| Total finance costs | 67,310 | 74,654 |
| <i>Employee benefits expenses</i> | | |
| Provision for employee benefits | 1,439 | 2,369 |
| Net loss on available-for-sale financial assets | 5 | 7 |

6. INCOME TAX EXPENSE

a. Income tax expense

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Current tax | 7,715 | - |
| Deferred tax | 8,027 | 5,934 |
| Adjustments for current tax of prior periods | 98 | - |
| | 15,840 | 5,934 |
| Deferred income tax expense included in income tax expense comprises: | | |
| (Increase) decrease in deferred tax assets (note 12) | (1,083) | 2,786 |
| (Decrease) increase in deferred tax liabilities (note 19) | 9,110 | 3,148 |
| | 8,027 | 5,934 |

b. Numerical reconciliation of income tax expense to prima facie tax payable

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Profit from continuing operations before income tax expense | 52,327 | 19,677 |
| Tax at the Australian tax rate of 30.0% (2014 - 30.0%) | 15,698 | 5,902 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non deductible expense | 44 | 81 |
| Under/(over provided) in prior years balance | 98 | - |
| Asset related permanent differences | - | (49) |
| Income tax expense | 15,840 | 5,934 |

c. Amounts recognised directly in equity

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity: | | |
| Net deferred tax - debited (credited) directly to equity | (5,201) | (2,904) |

6. INCOME TAX EXPENSE (CONTINUED)

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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.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | Consolidated | |
|--------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Cash at bank and in hand | 68,255 | 58,207 |
| Distribution account | 1,954 | 1,910 |
| Cash reserves at bank * | 14,025 | 13,616 |
| | 84,234 | 73,733 |

Cash and cash equivalents are financial assets held at amortised cost.

* 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 2015 \$'000 | 30 June 2014 \$'000 |
| Net trade receivables | | |
| Trade debtors | 14,157 | 11,518 |
| Provision for impairment of debtors | (28) | (72) |
| | 14,129 | 11,446 |

Trade receivables are a financial asset held at amortised cost.

a. Past due but not impaired

As at 30 June 2015, trade receivables of \$9,594,000 (2014 \$4,624,000) 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 of these trade receivables is as follows:

| | Consolidated | |
|-------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| 0 - 30 days | 7,564 | 6,822 |
| 31- 60 days | 4,010 | 4,482 |
| 61- 90 days | 981 | 149 |
| +91 days | 1,602 | 65 |
| | 14,157 | 11,518 |

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:

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| As at 1 July | (72) | (78) |
| Provision for impairment (recognised)/released during the year | 44 | 6 |
| | (28) | (72) |

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 amount is assumed to approximate their fair value.

9. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Adelaide Airport Limited
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(continued)

| | Construction in progress \$'000 | Leasehold buildings and improvements \$'000 | Plant and equipment \$'000 | Total \$'000 |
|---|------------------------------------|--|-------------------------------|-----------------|
| Year ended 30 June 2014 | | | | |
| Opening net book amount | 7,492 | 305,655 | 48,216 | 361,363 |
| Additions | 9,411 | 1,441 | 4,623 | 15,475 |
| Depreciation charge | - | (11,342) | (6,141) | (17,483) |
| Impairment loss | - | (34) | (54) | (88) |
| Closing net book amount | 16,903 | 295,720 | 46,644 | 359,267 |
| At 30 June 2014 | | | | |
| Cost or fair value | 16,903 | 392,736 | 107,038 | 516,677 |
| Accumulated depreciation | - | (97,016) | (60,394) | (157,410) |
| Net book amount | 16,903 | 295,720 | 46,644 | 359,267 |
| Year ended 30 June 2015 | | | | |
| Opening net book amount | 16,903 | 295,720 | 46,644 | 359,267 |
| Additions | 18,593 | 4,018 | 3,338 | 25,949 |
| Assets included in a disposal group classified as held for sale and other disposals | - | - | (5) | (5) |
| Depreciation charge | - | (11,138) | (6,500) | (17,638) |
| Impairment loss | - | (2) | (7) | (9) |
| Closing net book amount | 35,496 | 288,598 | 43,470 | 367,564 |
| At 30 June 2015 | | | | |
| Cost | 35,496 | 396,754 | 110,335 | 542,585 |
| Accumulated depreciation | - | (108,156) | (66,865) | (175,021) |
| Net book amount | 35,496 | 288,598 | 43,470 | 367,564 |

a. Valuations of land and buildings

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 18 for information on non-current assets pledged as security by the Group.

c. Impairment loss and compensation

The consolidated entity incorporates an impairment expense of \$0.88 million (2014 \$0.088 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.

10. NON CURRENT ASSETS - PREPAID OPERATING LEASE

| | Consolidated | |
|--------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| At cost | 147,535 | 141,370 |
| Accumulated amortisation | (23,057) | (21,565) |
| | 124,478 | 119,805 |

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Prepaid operating lease movements | | |
| Opening balance 1 July | 119,804 | 120,030 |
| Revaluation gain on transfer to investment properties | 110 | 8,423 |
| Reclassification from operating to investment | (196) | (10,365) |
| Reclassification from investment to operating | 6,270 | 3,152 |
| Amortisation | (1,510) | (1,435) |
| | 124,478 | 119,805 |

11. NON-CURRENT ASSETS - INVESTMENT PROPERTIES

Adelaide Airport Limited
Notes to the consolidated
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30 June 2015
(continued)

Consolidated

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|-------------------------------------|------------------------|------------------------|
| Investment properties at fair value | 325,330 | 301,210 |
| | 325,330 | 301,210 |

Consolidated

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---|------------------------|------------------------|
| Investment properties movements | | |
| At fair value | | |
| Opening balance 1 July | 301,210 | 280,190 |
| Capitalised subsequent expenditure | 2,849 | 3,530 |
| Net gain from fair value adjustments | 27,345 | 10,277 |
| Reclassification from investment to operating use | (6,270) | (3,152) |
| Reclassification from operating to investment | 196 | 10,365 |
| | 325,330 | 301,210 |

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. Financial year 2015 represents the final year of a cycle.

'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 let up period and incentives to reflect the value of the tenancies with vacant possession and any imminent 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. Fair value measurement of financials statements

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group has investment property assets which were fair valued at \$325.330 million (30 June 2014: \$301.210 million) and are classified as level 2 in the hierarchy for the purposes of AASB 13.

Refer to Note 23 Derivative financial instruments for fair value measurement disclosure on interest rate swaps.

c. Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the parent entity or its controlled entities.

d. Contractual obligations

Refer to note 29 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

e. Leasing arrangements

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

| | Consolidated | |
|--|--------------------------------|--------------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Minimum lease payments under non-cancellable operating leases of investment properties are recognised in the financial statements are receivable as follows: | | |
| Within one year | 23,220 | 21,918 |
| Later than one year but not later than 5 years | 105,058 | 98,664 |
| Later than five years | 148,630 | 139,685 |
| | 276,908 | 260,267 |

12. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

Adelaide Airport Limited
Notes to the consolidated
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30 June 2015
(continued)

Consolidated

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|--|------------------------|------------------------|
| The balance comprises temporary differences attributable to: | | |
| Tax losses | - | 98 |
| Other | 629 | 744 |
| Provisions | 1,422 | 1,419 |
| Cash flow hedges | 12,553 | 7,352 |
| Gain/loss on fair value hedges | 1,293 | - |
| Set-off of deferred tax liabilities pursuant to set-off provisions (note 19) | (15,897) | (9,613) |
| Total deferred tax assets | - | - |
| Movements: | | |
| Opening balance at 1 July | 9,613 | 15,303 |
| Credited/(charged) to the income statements | 1,083 | (2,786) |
| Credited/(charged) to equity | 5,201 | (2,904) |
| Closing balance at 30 June | 15,897 | 9,613 |
| Deferred tax assets expected to be recovered within 12 months | 1,422 | 1,517 |
| Deferred tax assets expected to be recovered after more than 12 months | 14,475 | 8,096 |
| | 15,897 | 9,613 |

13. NON-CURRENT ASSETS - INTANGIBLE ASSETS

| | Goodwill \$'000 | Master Planning Costs | Property Leases \$'000 | Total \$'000 |
|--|--------------------|--------------------------|------------------------------|-----------------|
| Year ended 30 June 2014 | | | | |
| Opening net book amount | 179,410 | 210 | 3,853 | 183,473 |
| Additions - acquisition | - | 1,367 | - | 1,367 |
| Amortisation charge | - | - | (170) | (170) |
| Closing net book amount | 179,410 | 1,577 | 3,683 | 184,670 |
| Cost | 179,410 | 1,577 | 20,853 | 201,840 |
| Accumulation amortisation and impairment | - | - | (17,170) | (17,170) |
| Net book amount | 179,410 | 1,577 | 3,683 | 184,670 |
| Year ended 30 June 2015 | | | | |
| Opening net book amount | 179,410 | 1,577 | 3,683 | 184,670 |
| Additions - acquisition | - | 977 | - | 977 |
| Amortisation charge | - | (267) | (170) | (437) |
| Closing net book amount | 179,410 | 2,287 | 3,513 | 185,210 |
| At 30 June 2015 | | | | |
| Cost | 179,410 | 2,553 | 20,853 | 202,816 |
| Accumulated amortisation | - | (266) | (17,340) | (17,606) |
| Net book amount | 179,410 | 2,287 | 3,513 | 185,210 |

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 2014 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.

14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Adelaide Airport Limited
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(continued)

| Consolidated | | |
|----------------|---------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Trade payables | 3,828 | 2,505 |
| Other payables | 17,253 | 15,042 |
| | 21,081 | 17,547 |

Trade payables are financial liabilities held at amortised cost.

15. CURRENT LIABILITIES - BORROWINGS

| Consolidated | | |
|---------------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Borrowings | 284,874 | - |
| Lease Liability - Current | - | 1 |
| Total current borrowings | 284,874 | 1 |

Current borrowings are financial liabilities held at amortised cost.
Refer to note 18 (b) for details of the security of the lease liability.

The current borrowings of \$284.874 million is from the reclassification of \$285.00 million of the Groups Medium Term Notes (the 2015 MTNs) which are maturing and have been refinanced and committed on 29 June 2015 with the facility available for drawdown in September 2015, refer Note 18.

16. CURRENT LIABILITIES - PROVISIONS

| Consolidated | | |
|--------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Annual leave | 1,047 | 1,014 |
| Long service leave | 1,831 | 1,722 |
| EIP provision | 552 | 1,235 |
| | 3,430 | 3,971 |

17. CURRENT LIABILITIES - OTHER CURRENT LIABILITIES

| | Consolidated | |
|-------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Retentions and deposits | 354 | 428 |
| Deferred revenue | 76 | 88 |
| | 430 | 516 |

18. NON-CURRENT LIABILITIES - BORROWINGS

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Secured | | |
| Medium Term Notes 2015 | - | 284,341 |
| Medium Term Notes 2016 | 264,205 | 263,514 |
| Bilateral Banking Facility | 131,461 | 102,590 |
| US Bonds* | (8,832) | - |
| Total secured non-current borrowings | 386,834 | 650,445 |
| Redeemable Preference Shares | 188,597 | 188,417 |
| Total non-current borrowings | 575,431 | 838,862 |

Borrowings are financial liabilities held at amortised cost

* 'US Bonds' reflects a fair value adjustment at balance date (\$5.829 million) in respect of the bonds in addition to borrowing costs (\$3.001 million) incurred on raising the debt.

a. Standby arrangements and credit facilities

The following lines of credit were committed to at balance date:

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Working capital facility provided by Westpac Banking Corporation | 20,000 | 20,000 |
| Bilateral Bank Facility provided by Westpac Banking Corporation | 82,500 | 82,500 |
| Bilateral Bank Facility provided by Australian and New Zealand Banking Group | 82,500 | 82,500 |
| US Bonds - Institutional Accredited Investors | 335,500 | - |
| Used at balance date | (132,500) | (104,000) |
| | 388,000 | 81,000 |

* The USD Bond facility has been converted at the agreed conversion swap rate.

18. NON-CURRENT LIABILITIES - BORROWINGS (CONTINUED)

Adelaide Airport Limited
Notes to the consolidated
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(continued)

b. Secured liabilities and assets pledged as security

| | Consolidated | |
|----------------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Lease liabilities | - | 1 |
| Medium Term Notes 2015 | - | 284,341 |
| Medium Term Notes 2016 | 264,205 | 263,514 |
| Bilateral Banking Facility | 131,461 | 102,590 |
| US Bonds | (8,832) | - |
| Total secured liabilities | 386,834 | 650,446 |

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.

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 21.

iv. The \$120 million Bilateral Banking Facility was re-priced and extended to \$165 million on 16 June 2014. The facility will mature in April 2018. This Bilateral Bank debt facility is between the Australia and New Zealand Banking Group and Westpac Banking Corporation and provides funding for capital expenditure and general corporate purposes.

v. The 'US Bonds' are a secured unwrapped US Private Placement bond issuance, split between US dollar denominated bonds (USD\$225 million) and Australian dollar denominated bonds (AUD\$50 million) with a commencement date of 15 September 2015. Maturities on the bonds vary between 10, 12 and 15 years. Interest is payable bi-annually, with the 10-year (USD\$71 million) issue priced at 155bps above US Treasuries, the 12-year (USD\$87 million) priced at 165bps above US Treasuries, and the 15-year (USD\$67 million) issue priced at 180bps above US Treasuries. The AUD bonds (A\$50 million) were split evenly between a 10-year floating direct issue and a 15-year fixed AUD issue. The 10 year issue priced at 165 points above US Treasuries including AUD swap costs. The 15-year fixed AUD issue priced at 190 points above US Treasuries including swap costs.

vi. The Medium Term Notes, US Bonds and Bilateral Bank debt facility are secured by floating charges over the assets of the Group.

c. Redeemable Preference Shares

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

The Redeemable Preference Share instruments (\$188.6 million) have a maturity date of 18 June 2024.

19. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| The balance comprises temporary differences attributable to: | | |
| Accrued revenue and interest | 459 | 1,170 |
| Investment property | 64,111 | 56,512 |
| Property, plant and equipment | 8,878 | 9,736 |
| Intangible assets | 1,740 | 1,578 |
| Prepaid operating lease | 37,092 | 35,690 |
| Borrowing costs | 277 | 510 |
| Borrowings | 1,749 | - |
| | 114,306 | 105,196 |
| <i>Amounts recognised directly in equity</i> | | |
| Investment property | 2,559 | 2,526 |
| Total deferred tax liabilities | 116,865 | 107,722 |
| Set-off of deferred tax liabilities pursuant to set-off provisions (note 12) | (15,897) | (9,613) |
| Net deferred tax liabilities | 100,968 | 98,109 |

| Consolidated | | |
|---|----------------|----------------|
| Movements: | | |
| Opening balance at 1 July | 107,722 | 102,046 |
| Charged/(credited) to the income statements | 9,110 | 3,150 |
| Charged/(credited) to equity | 33 | 2,526 |
| Closing balance at 30 June | 116,865 | 107,722 |
| Deferred tax liabilities expected to be settled within 12 months | 459 | 1,171 |
| Deferred tax liabilities expected to be settled after more than 12 months | 116,406 | 106,551 |
| | 116,865 | 107,722 |

20. NON-CURRENT LIABILITIES - PROVISIONS

Adelaide Airport Limited
Notes to the consolidated
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30 June 2015
(continued)

| | Consolidated | |
|--------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Long service leave | 287 | 237 |
| Provision for EIP | 996 | 450 |
| | 1,283 | 687 |

21. DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---|------------------------|------------------------|
| Current liabilities | | |
| Cross currency swaps | 19,096 | - |
| Interest rate swaps | 14,165 | 14,017 |
| Total current derivative financial instrument liabilities | 33,261 | 14,017 |
| Non-current liabilities | | |
| Cross currency swaps | (10,796) | - |
| Interest rate swaps | 23,688 | 10,490 |
| Total non-current derivative financial instrument liabilities | 12,892 | 10,490 |
| | 46,153 | 24,507 |

The non-current portion of the cross currency swaps, which is currently in an asset position, has been included within non-current liabilities to reflect the total swap position which is an overall liability on these specific instruments.

The company's activities expose it to market risk (foreign currency risk and interest rate risk) and credit risk. In order to minimise any adverse effects on the financial performance of the company, derivative financial instruments including cross currency swaps and interest rate swaps are used to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

Financial risk management is controlled under policies approved by the Board of Directors.

a. Risk exposures

Market Risk

i. Foreign currency risk

The Group is exposed to foreign currency risk on its USD denominated borrowings.

The Group's Risk Management Policy is to fully hedge currency risks arising from foreign currency denominated borrowings from the initial principal exchange through to maturity and repayment of the borrowing. At 30 June 2015, all of foreign currency denominated debt was hedged in respect of foreign currency risk.

AAL has entered into cross currency interest rate swaps to hedge its exposure to foreign currency risk. Under these swaps, the group agrees with other parties to receive, at

specified intervals, a series of fixed USD interest cash flows and USD principal amounts, and pay a series of floating rate AUD interest cash flows and AUD principal amounts.

AAL has designated the principal exchange and benchmark AUD interest cash flows as a fair value hedge, and the USD fixed interest cash flows and AUD interest margin cash flows as a cash flow hedge. The currency basis spread incorporated within the margin on the hedging instrument has been excluded from the hedging relationship and deferred in the foreign currency basis spread reserve.

For all of the relationships the terms of the hedging instruments have been specifically structured to match the underlying terms of the hedged item and therefore the hedges are

expected to be highly effective both at designation and at all future measurement dates. All foreign exchange rate risk is mitigated from the relationship as the receive leg of the cross currency swaps will always

exactly mirror the terms of the issued currency debt.

As at the end of the reporting period, the group had the following foreign currency denominated borrowings

and cross currency swap contracts outstanding:

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Outstanding derivative contracts | | |
| US Bonds | 285,500 | - |
| Cross currency swaps (notional amount) | (285,500) | - |
| Net exposure to foreign currency risk | - | - |
| | - | - |

ii. Interest rate risk

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 86% (2014: 75%) of the loan principal outstanding. The average fixed interest rate is 5.0% (2014: 5.0%) and the variable rates are based on the 90 day BBSY (bid) bank bill rate or 90 day BBSW bank bill rate.

Foreign currency interest rate risks have been fully hedged and converted to a floating AUD interest rate exposure through the use of cross currency swaps as described above.

The floating AUD BBSW exposure arising from AAL's portfolio of AUD debt instruments and the synthetic AUD exposure arising from the cross currency swaps is hedged through the use of interest rate swaps. Under these swaps, the group agrees with other parties to receive, at specified intervals, a series of fixed USD interest cash flows and USD principal amount, and pay a series of floating rate AUD interest cash flows and AUD principal amount.

Interest rate swaps have been designated in their entirety as being in a cash flow hedge relationship with AAL's portfolio of AUD debt instruments and synthetic AUD BBSW exposures. The receive floating terms match the specific index (i.e. 90 day BBSW) and are aligned on payment

dates and other market conventions. Effectiveness is measured using hypothetical derivatives to measure movements in the hedged risk from the point of designation to re-measurement date. The fixed rate of the hypothetical derivative is ascertained from the benchmark (BBSW) swap curve as at the end of the day of designation, taking the appropriate tenor to match that of the interest rate swap.

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 2015 no amounts were recorded in profit and loss in respect of ineffective hedges.

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Adelaide Airport Limited
Notes to the consolidated
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30 June 2015
(continued)

A. Risk exposures (continued)

The notional principal amounts that apply at 30 June and periods of expiry of the interest rate swap contracts are as follows:

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---------------------|------------------------|------------------------|
| Interest rate swaps | | |
| Less than 1 year | 225,000 | - |
| 1 - 2 years | 165,000 | 225,000 |
| 2 - 3 years | - | 165,000 |
| 3 - 4 years | - | - |
| 4 - 5 years | - | - |
| 5 - 10 years | 100,000 | - |

Effects of applying hedge accounting

The effects of applying hedge accounting on the company's financial position and performance are as follows:

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Derivative Financial Instruments - interest rate swaps | | |
| Carrying amount (liability) relating to cash flow hedges | (37,853) | (24,507) |
| Change in intrinsic value of outstanding hedging instrument since 1 July | (13,346) | 9,681 |
| Change in value of hedged item used to determine hedge effectiveness of cash flow hedges | 13,346 | (9,681) |
| Hedge ratio 1:1 | - | - |

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---|------------------------|------------------------|
| Derivative Financial Instruments - cross currency swaps | | |
| Carrying amount relating to cash flow hedges | (1,824) | - |
| Carrying amount relating to fair value hedges | (4,309) | - |
| Carrying amount relating to currency basis spread | (2,167) | - |
| Change in intrinsic value of outstanding hedging instrument relating to cash flow hedges | (1,824) | - |
| Change in intrinsic value of outstanding hedging instrument relating to fair value hedges | (4,309) | - |
| Change in intrinsic value of outstanding hedging instrument relating to currency basis spread | (2,167) | - |
| Change in value of hedged item used to determine effectiveness of fair value hedges | 5,829 | - |
| Change in value of hedged item used to determine hedge effectiveness of cash flow hedges | 1,945 | - |
| Hedge ratio is 1:1 | - | - |

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---|------------------------|------------------------|
| Hedging gains/losses | | |
| Hedge ineffectiveness – Amount recognised in 'Fair value gains/losses on financial instruments' in profit or loss | 1,520 | - |

Hedge ineffectiveness recognised in profit or loss during the period relates to the inclusion of the credit value adjustment in the value of the hedging instrument which cannot be reflected in the hedged item.

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period.

Refer to Note 24 for movements in the hedging reserve and foreign currency basis spread reserve.

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 relevant counterparties, which are large Australian banks.

b. Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The interest rate swap derivative financial instrument used for hedging purposes is fair valued at \$46.153 million (30 June 2014: \$24.507 million). These instruments are classified as level 2 in the hierarchy for the purposes of AASB 13.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

22. NON-CURRENT LIABILITIES - OTHER NON-CURRENT LIABILITIES

Adelaide Airport Limited
Notes to the consolidated
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(continued)

Consolidated

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|-----------------|------------------------|------------------------|
| Deferred income | 2,096 | 2,480 |
| | 2,096 | 2,480 |

23. CONTRIBUTED EQUITY

| | 30 June 2015 Shares | 30 June 2014 Shares | 30 June 2015 \$'000 | 30 June 2014 \$'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 2015 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 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.

24. OTHER RESERVES AND RETAINED EARNINGS

a. Reserves

| | Consolidated | |
|---------------------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Asset revaluation reserve | 11,826 | 11,749 |
| Cash flow hedges | (27,773) | (17,155) |
| Foreign currency basis spread reserve | (1,517) | - |
| | (17,464) | (5,406) |

| | | Consolidated | |
|---|-----------|------------------------|------------------------|
| | Notes | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Movements: | | | |
| <i>Asset Revaluation Reserve</i> | | | |
| Balance 1 July | | 11,749 | 5,852 |
| Reclassification from operating to investment asset | | 110 | 8,423 |
| Deferred tax | | (33) | (2,526) |
| Balance 30 June | | 11,826 | 11,749 |
| <i>Hedging reserve - cash flow hedges</i> | | | |
| Balance 1 July | | (17,155) | (23,931) |
| Revaluation - gross | 21 | (28,690) | (4,515) |
| Revaluation - cross currency swaps | | (1,824) | - |
| Amounts transferred to profit or loss | | 15,344 | 14,196 |
| Deferred tax | 6, 12, 19 | 4,552 | (2,905) |
| Balance 30 June | | (27,773) | (17,155) |
| <i>Foreign currency basis spread reserve</i> | | | |
| Opening balance | | - | - |
| Revaluation - gross | | (2,167) | - |
| Deferred tax | 6, 19 | 650 | - |
| Balance 30 June | | (1,517) | - |

24. OTHER RESERVES AND RETAINED EARNINGS (CONTINUED)

Adelaide Airport Limited
Notes to the consolidated
financial statements
30 June 2015
(continued)

b. Retained earnings

Movements in retained earnings were as follows:

| | Consolidated | |
|---------------------------|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Balance 1 July | 74,028 | 75,285 |
| Net profit for the period | 36,486 | 13,743 |
| Dividends | (30,000) | (15,000) |
| Balance 30 June | 80,514 | 74,028 |

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. Foreign currency basis spread reserve

The foreign currency basis spread reserve represents the fair value movement of the currency basis spread component of AAL's cross currency interest rate swaps which has been excluded from the hedging relationship. The currency basis

spread component of the swaps is deferred in equity as a cost of hedging and released to the income statement over the life of the instruments.

iii. 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(k). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

25. DIVIDENDS

a. Ordinary shares

| | Consolidated and Parent entity | |
|--|--------------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Dividends for the year ended 30 June 2015 of 15.76 cents (2014: 7.88 cents) per fully paid in two equal installments on 30 June 2015 (7.88 cents) and 29 December 2014 (7.88 cents). | | |
| Final ordinary dividend | 15,000 | 15,000 |
| Interim ordinary dividend | 15,000 | - |
| | 30,000 | 15,000 |

b. Redeemable preference shares

Dividends on these shares totalling \$21,467,760 (2014: \$30,189,115) 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)).

c. Franked dividends

The franked portions of the final dividends recommended after 30 June 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2016.

| | Consolidated and Parent entity | |
|---|--------------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2014 : 30%) | 633 | - |

The above amounts represent the balance of the franking account as at the end of the reporting period, 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.

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

Adelaide Airport Limited
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(continued)

a. Directors

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

i. Chairman - non-executive

R Chapman

ii. Executive directors

M D Young, Managing Director

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 | EGM Business Development | AAML Ltd |
| S Doyle | EGM People & Culture | AAML Ltd |
| B Cox | EGM Corporate Affairs and In House Counsel (Company Secretary) | AAML Ltd |
| K May | EGM Property | AAML Ltd |
| S Flowers | Chief Financial Officer (joint Company Secretary) | AAML Ltd |
| D Blackwell | EGM Customer Service | AAML Ltd |
| V Scanlon | EGM Airport Operations & Infrastructure | AAML Ltd |

EGM (Executive General Manager)

AAML Ltd (Adelaide Airport Management Limited)

c. Key management personnel compensation

| | Consolidated | |
|-------------------|--------------------|--------------------|
| | 30 June 2015 \$ | 30 June 2014 \$ |
| Employee benefits | 5,612,857 | 4,154,958 |
| Superannuation | 247,936 | 224,769 |
| | 5,860,793 | 4,379,727 |

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.

27. REMUNERATION OF AUDITORS

a. PricewaterhouseCoopers Australia

| | Consolidated | |
|---|----------------|----------------|
| | 2015 \$ | 2014 \$ |
| Audit and other assurance services | | |
| Audit and review of financial statements | 129,800 | 123,104 |
| Audit of interest rate subsidy claim | 1,400 | 1,370 |
| Other assurance services | | |
| Outgoings audit | 18,500 | 17,950 |
| Other services | 12,600 | 67,790 |
| | 31,100 | 85,740 |
| Total remuneration for audit and other assurance services | 162,300 | 210,214 |

28. 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.

29. COMMITMENTS

Adelaide Airport Limited
Notes to the consolidated
financial statements
30 June 2015
(continued)

a. Capital commitments

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

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Property, plant and equipment | | |
| Within one year | 7,022 | 22,800 |
| Later than one year but not later than five years | - | - |
| Later than five years | - | - |
| | 7,022 | 22,800 |

b. Lease commitments: group as lessee

Commitments representing non-cancellable operating leases, in respect of leases contracted for but not recognised as liabilities at 30 June 2015 were nil (30 June 2014: \$1,000)

30. EMPLOYEE ENTITLEMENTS

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Employee entitlement liabilities | | |
| Provision for employee entitlements - current | 2,878 | 2,736 |
| Provision for employee entitlements - non-current | 1,283 | 687 |
| | 4,161 | 3,423 |

| | Consolidated | |
|---|--------------|--------------|
| | 30 June 2015 | 30 June 2014 |
| Employee numbers | | |
| Average number of employees during the financial year | 132 | 128 |

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 | |
|---|-------------------|-------------------|
| | 30 June 2015 % | 30 June 2014 % |
| Weighted average rates of increase in annual employee entitlements to settlement of liabilities | 2.80 | 3.50 |
| Weighted average discount rates | 3.01 | 3.55 |

31. RELATED PARTY TRANSACTIONS

a. Parent entities

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

b. Subsidiaries

Interests in subsidiaries are set out in note 32.

c. Key management personnel

Disclosures relating to key management personnel are set out in note 26.

| | Consolidated | |
|--|--------------------|--------------------|
| | 30 June 2015 \$ | 30 June 2014 \$ |
| Superannuation contributions | | |
| Contributions to superannuation funds on behalf of employees | 1,192,182 | 1,082,065 |

32. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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):

| Name of entity | Country of incorporation | Equity holding | |
|---|--------------------------|----------------|-----------|
| | | 2015 % | 2014 % |
| Adelaide Airport Management Limited * | Australia | 100 | 100 |
| Parafield Airport Limited * | Australia | 100 | 100 |
| New Terminal Financing Company Pty Ltd | Australia | 100 | 100 |
| New Terminal Construction Company Pty Ltd | Australia | 100 | 100 |

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 33.

Adelaide Airport Limited is the main operating entity and holds the lease rights to manage and operate Adelaide Airport. The lease and management rights form Adelaide Airport Limited's main asset and consist of a 99 year lease (50 + 49 option) acquired in 1998 from the Federal Government. Adelaide Airport Management Limited is responsible for the employment of staff at the group. Parafield Airport Limited holds the lease rights to operate Parafield

Airport, South Australia's premier general aviation airport. New Terminal Financing Co. Pty Ltd is the financing vehicle for the group, whilst New Terminal Construction Co. Pty Ltd was the company responsible for the construction of Terminal 1.

The class of shares issued are ordinary shares for all entities and carrying values remain unchanged subsequent to issue.

33. DEED OF CROSS GUARANTEE

Adelaide Airport Limited
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(continued)

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 requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

a. Consolidated income statement, consolidated statement 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 2015 of the closed group consisting of Adelaide Airport Limited, Parafield Airport Limited, Adelaide Airport Management Limited and New Terminal Construction Company Pty Ltd.

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|--|------------------------|------------------------|
| <i>Consolidated income statement</i> | | |
| Revenue from continuing operations | 197,325 | 187,824 |
| Other income | 869 | 940 |
| Increments in the fair value of investment properties | 27,345 | 10,277 |
| Employee benefits expense | (14,902) | (14,184) |
| Depreciation & Amortisation expense | (19,584) | (19,089) |
| Services & Utilities | (40,511) | (39,642) |
| Consultants & Advisors | (4,678) | (4,477) |
| General administration | (6,522) | (6,608) |
| Leasing & Maintenance | (5,164) | (5,135) |
| Borrowing costs expense | (83,582) | (90,677) |
| Impairment of property, plant and equipment | (8) | (88) |
| Profit/(Loss) on disposal of property, plant and equipment | (22) | 10 |
| Profit before income tax | 50,566 | 19,151 |
| Income tax expense | (15,246) | (5,776) |
| Profit for the period | 35,320 | 13,375 |

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---|------------------------|------------------------|
| Summary of movements in consolidated retained earnings | | |
| Retained earnings at the beginning of the financial year | 52,872 | 54,497 |
| Profit for the year | 36,857 | 13,375 |
| Dividends provided for or paid | (30,000) | (15,000) |
| Retained earnings at the end of the financial year | 59,729 | 52,872 |

b. Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2015 of the closed group consisting of Adelaide Airport Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited.

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|----------------------------------|------------------------|------------------------|
| Current assets | | |
| Cash and cash equivalents | 68,255 | 58,207 |
| Trade and other receivables | 17,302 | 12,793 |
| Other | 3,718 | 5,667 |
| Total current assets | 89,275 | 76,667 |
| Non-current assets | | |
| Property, plant and equipment | 367,564 | 359,269 |
| Investment properties | 325,330 | 301,210 |
| Intangible assets | 185,210 | 184,670 |
| Prepaid operating lease | 124,479 | 119,805 |
| Total non-current assets | 1,002,583 | 964,954 |
| Total assets | 1,091,858 | 1,041,621 |
| Current liabilities | | |
| Trade and other payables | 17,187 | 14,404 |
| Borrowings | - | 1 |
| Current tax liabilities | 7,180 | - |
| Provision | 2,878 | 2,736 |
| Other | 453 | 533 |
| Total current liabilities | 27,698 | 17,674 |

33. DEED OF CROSS GUARANTEE (CONTINUED)

Adelaide Airport Limited
Notes to the consolidated
financial statements
30 June 2015
(continued)

B. Consolidated balance sheet (continued)

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|--------------------------------------|------------------------|------------------------|
| Non-current liabilities | | |
| Borrowings | 875,520 | 848,070 |
| Deferred tax liabilities | 112,788 | 104,950 |
| Provisions | 1,834 | 1,921 |
| Other | 2,096 | 2,480 |
| Total non-current liabilities | 992,238 | 957,421 |
| Total liabilities | 1,019,936 | 975,095 |
| Net assets | 71,922 | 66,526 |
| Equity | | |
| Contributed equity | 1,905 | 1,905 |
| Reserves | 11,827 | 11,749 |
| Retained earnings | 58,190 | 52,872 |
| Total equity | 71,922 | 66,526 |

34. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM

OPERATING ACTIVITIES

| | Consolidated | |
|---|------------------------|------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Profit for the period | 36,486 | 13,742 |
| Depreciation and amortisation of property plant and equipment | 17,645 | 17,484 |
| Amortisation of intangible assets | 436 | 170 |
| Amortisation of borrowing costs | 1,614 | 1,508 |
| Amortisation of prepaid operating lease | 1,510 | 1,435 |
| RPS redemption premium | 219 | - |
| Gain/loss on fair value hedges | (1,520) | - |
| Net (gain) loss on sale of assets | 35 | (10) |
| Fair value adjustment to investment property | (27,345) | (10,277) |
| Impairment of assets | 8 | 88 |
| Capitalised borrowing costs | (1,931) | (413) |
| Movements in current and deferred tax assets and liabilities | 15,841 | 5,934 |
| Income tax paid | (633) | - |
| (Increase) in trade debtors and accrued income | (707) | (2,351) |
| Decrease/(increase) in prepayments | (147) | (23) |
| (Decrease)/increase in trade creditors | 944 | 524 |
| Net cash inflow (outflow) from operating activities | 42,455 | 27,811 |

35. NON-CASH INVESTING AND FINANCING ACTIVITIES

Adelaide Airport Limited
Notes to the consolidated
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(continued)

Consolidated

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---|------------------------|------------------------|
| Acquisition of plant and equipment by means of finance leases | - | - |
| | - | - |

36. PARENT ENTITY FINANCIAL INFORMATION

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|--------------------------------------|------------------------|------------------------|
| Balance sheet | | |
| Current assets | 89,252 | 76,649 |
| Non-current assets | 955,964 | 924,205 |
| Total assets | 1,045,216 | 1,000,854 |
| Current liabilities | 25,447 | 15,390 |
| Non-current liabilities | 981,985 | 947,855 |
| Total liabilities | 1,007,432 | 963,245 |
| Net assets | 37,784 | 37,609 |
| Shareholders' equity | | |
| Ordinary shares | 1,905 | 1,905 |
| Reserves | 11,826 | 11,749 |
| Retained earnings | 24,053 | 23,955 |
| | 37,784 | 37,609 |
| Profit or loss for the period | 30,099 | 12,811 |
| Total comprehensive income | 30,099 | 12,811 |

36. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

Summary financial information (continued)

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 the agreed date of 18 July 2024. 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. 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 2015, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling \$7.0 million (2014: \$12.8 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

b. Guarantees entered into by the parent entity

Each of the Adelaide Airport Group Companies (the Security Providers) has executed a deed of cross guarantee and indemnity dated 8 December 2000 in favour of a Security Trustee on behalf of all Financiers (the "AAL Group Guarantee"). Pursuant to the AAL Group Guarantee, each Security Provider (as Guarantor) guarantees to each Financier:

- (a) the payment of all money which the Security Providers at any time are actually or contingently liable to pay to or for the account of a Financier under its Financing Documents (the "Guaranteed Money"); and
- (b) the performance by each Security Provider of its obligation to pay the Guaranteed Money to the Financiers and other non-monetary obligations to the Financiers under the Financing Documents.

No amendments will be made to the AAL Group Guarantee.

In addition, and as disclosed in note 33, 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 requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

No liability was recognized by the parent entity in relation to these two guarantees, as the fair value of both guarantees is considered immaterial.

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 63 are in accordance with the *Corporations Act 2001*, including:
- i. complying with Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the 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 33 will be able to meet any obligations or liabilities to which they are, or may become liable, by virtue of the deed of cross guarantee described in note 33.

This declaration is made in accordance with a resolution of Directors.



Mark Dennis Young
Director



James Leonard Tolhurst
Director

Adelaide
29 September 2015



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 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Adelaide Airport Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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. Those 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 consolidated 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.

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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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 2015 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

MT Lojszczyk
Partner

Adelaide
29 September 2015