NEW JOURNEYS UNFOLD

Financial Report
2016/2017

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ADELAIDE AIRPORT LIMITED ANNUAL REPORT **- 30 JUNE 2017**

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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 4.

The financial statements were authorised for issue by the Directors on 26 September 2017. The Directors have the power to amend and reissue the financial statements.

Further information regarding the entity's operations is included in the annual report.

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DIRECTORS' REPORT

ADELAIDE AIRPORT LIMITED
DIRECTORS' REPORT
30 JUNE 2017

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 2017 (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:

Alan James Mulgrew

Christopher John McArthur

James (Jay) Brendan Hogan

James Leonard Tolhurst

Jane Elizabeth Yuile

John Frederick Ward

Mark Dennis Young

Robert Ian Chapman

Alan Shang Ta Wu (Alternate for Christopher McArthur)

Kent Ian Robbins (Alternate for John Ward, James Tolhurst and Jane Yuile)

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 on Redeemable Preference Shares, which are classified as finance costs, amounting to $21.625 million were paid or provided for during the year (30 June 2016: $21.804 million).

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

	30 June 2017 $'000	30 June 2016 $'000
Final ordinary dividend of 5.25 cents (2016: 13.13 cents) per fully paid share paid on 30 June 2017	10,000	25,000
Interim ordinary dividend of 5.25 cents (2016: 10.56 cents) per fully paid share paid on 31 December 2016	10,000	20,000
Redeemable Preference Share dividend (in quarterly instalments)	21,625	21,804
	41,625	66,804

REVIEW OF OPERATIONS

The profit from ordinary activities before income tax amounted to $69.351 million (2016: $40.304 million)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group had current liabilities in excess of current assets as at 30 June 2017 amounting to $104.419 million. This deficiency is caused by the classification of $165.00 million of the Group's bank debt facility maturing in April 2018 as a current liability. As at 30 June 2017, the Group was at an advanced stage in the process of refinancing this maturing debt facility. In July 2017 the Group issued $200.00 million in floating rate medium term notes with the proceeds from the issue applied to the full repayment and cancellation of the maturing facility, with the balance to fund future 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 2017 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 Director's report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

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

ALAN MULGREW BA, GRAICD, JP - *DIRECTOR*

Experience and expertise
Alan was appointed on 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.

Other directorships and positions
Alan is currently a non-executive Director of Tesla Corporation Pty Ltd, Blue Lake Milling, Queensland Airports Limited and Cooperative Bulk Handling Ltd and is an advisory panel member for Colonial First State. He was formerly Chairman of Tourism Western Australia, Western Power and Western Carbon Pty Ltd.

Alan has also served as Chairman and member of various Audit, Risk Management, Governance and Remuneration Committees.

Special responsibilities
Chair of the Aeronautical & Related Infrastructure Committee

Member of the Property Development and Building Committee

Member of the Remuneration Committee

CHRISTOPHER JOHN MCARTHUR B.ENG., MBA, FAICD - *DIRECTOR*

Experience and expertise
Chris was appointed on 30 March 2011 as a non-executive director nominated by Colonial First State Managed Infrastructure 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 was previously commercial head of Pacific National, the former Toll/Patrick rail joint venture, and held senior management roles with Qantas in Sydney and London, including as head of the QantasLink regional airlines group. Chris is a Fellow of the Australian Institute of Company Directors.

Other directorships and positions
Chris is a Director of Brisbane Airport Corporation Holdings and former Director of Perth Airport, and was inaugural Chairman of Airports Coordination Australia Ltd.

Special responsibilities
Member of the Audit & Compliance Committee

Member of the Property Development Committee

Member of the Aeronautical & Related Infrastructure Committee

JAMES (JAY) BRENDAN HOGAN MBA, AFAMI, JP - *DIRECTOR*

Experience and expertise
Jay was appointed on 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.

Other directorships and positions
Jay is currently Chairman of Mercure Kangaroo Island Lodge, Bremerton Vintners and Sevenhill Wines and was formerly Chairman of the Urban Construct Development Group.

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 Jay 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 and Building Committee

Member of the Remuneration Committee

Member of the Aeronautical & Related Infrastructure Committee

JAMES LEONARD TOLHURST B.COMM, MBA, FCPA, FCIS, FAICD - *DIRECTOR*

Experience and expertise
Jim was appointed on 29 September 2004 as a non-executive director nominated by UniSuper Ltd. Jim has had over 40 years of experience in accounting and administration.

Other directorships and positions
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.

Special responsibilities
Chair of the Audit & Compliance Committee

Member of the Remuneration Committee

Member of the Property Development and Building Committee

Member of the Aeronautical & Related Infrastructure Committee

JANE YUILE B.SC., MBA, FCA, FAICD - *DIRECTOR*

Experience and expertise
Jane was appointed on 1 June 2016 as a non-executive director nominated by UniSuper Ltd. Jane has a Masters of Business Administration and Bachelor of Science, and is a Fellow of the Institute of Chartered Accountants and Australian Institute of Company Directors.

Other directorships and positions
Jane is currently State Chair (SA) for ANZ and also currently chairs ReturnToWorkSA (formerly WorkCover SA) and Prime Q Ltd, and is a Director of the Art Gallery of South Australia.

Special responsibilities
Member of the Audit & Compliance Committee

Member of the Property Development and Building Committee

Member of the Aeronautical & Related Infrastructure Committee

INFORMATION ON DIRECTORS (CONTINUED)

JOHN FREDERICK WARD, BSC, FAICD, FAIM, FAMI, FCILT, FRAES - *DIRECTOR*

Experience and expertise
John joined the Board on 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.

Other directorships and positions
John is an Honorary Life Governor of the Research Foundation of Information Technology and Director of Brisbane Airport Corporation Holdings. He is the immediate past Chairman of Wolseley Private Equity.

Special responsibilities
Chair of the Remuneration Committee

Member of the Audit & Compliance Committee

Member of the Property Development Committee

Member of the Aeronautical & Related Infrastructure Committee

MARK DENNIS YOUNG, B.EC, FCPA, FAIDC, FCIS - *MANAGING DIRECTOR*

Experience and expertise
Mark was appointed as Managing Director of Adelaide Airport Limited on 1 November 2011.

Prior to joining Adelaide Airport, in July 2001, Mark was Finance Director for Macmahon Holdings Limited enjoying a 20 year career that included experience in all aspects of that contract mining, civil engineering and building construction group.

Mark has played a key role in Adelaide Airport's expansion and rapid passenger growth over the past decade initially as Chief Financial Officer and subsequently as Managing Director.

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

Other directorships and positions
Mark is a non-executive director of the Australian Airports Association and the South Australian Tourism Commission.

Special responsibilities
Managing Director

Member of the Property Development Committee

Member of the Aeronautical & Related Infrastructure Committee

MR ROBERT (ROB) IAN CHAPMAN, ASSOCDIPBUS FAICD, FFSIA - *CHAIRMAN*

Experience and expertise
Rob was appointed to the Board as Chairman on 25 February 2014. Rob has 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 worked in Prudential Corporation, Colonial State Bank and the Commonwealth Bank across a variety of positions.

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.

Other directorships and positions
Rob currently serves as a Director on a number of prominent South Australian Boards including: Adelaide Football Club (Chairman), Barossa Infrastructure Ltd (Chairman), Perks Integrated Business Services (Chairman), Fortis Ago Corporate Advisory (Chairman), Coopers Brewery Limited (Director) and is the immediate past Chairman of BankSA. Rob is also a Member of the South Australian Economic Development Cabinet and is the Chairman of South Australia's Investment Attraction Committee.

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

ALAN SHANG TA WU M.COM, CFA, GAICD - *ALTERNATE DIRECTOR*

Experience and expertise
Alan was appointed as an alternate director by Christopher McArthur on 30 March 2011. Alan is a Director, Infrastructure Investments, at 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 Investments team. Alan has over 15 years of experience in the investment, management and divestment of infrastructure assets, as well as portfolio management. Alan was also actively involved in the establishment and growth of CFSGAM's flagship infrastructure funds in Australia.

Other directorships and positions
Alan is a director of Water Utilities Australia and International Parking Group. Alan is also an alternate director for Brisbane Airport and First Gas. He has previously served as a director of Bankstown and Camden Airports.

KENT IAN ROBBINS B. BUS (PROPERTY) AAPI, GAICD - *ALTERNATE DIRECTOR*

Experience and expertise
Kent was appointed as an alternate director to John Ward and Jim Tolhurst in March 2011, and Jane Yuile in August 2016. Kent is the Head of Property and Private Markets for UniSuper which is Australia's only industry super fund dedicated to the higher education and research professionals. UniSuper has over 390,000 members and has $60B in funds under management. Kent has over 25 years' experience in the finance industry, predominantly in superannuation. Kent joined UniSuper in November 2009, and is responsible for the Fund's $7.6 billion Property portfolio, $9.5 billion Infrastructure portfolio and $0.3 billion Private Equity portfolio.

Kent was previously employed at Telstra Super, Pinnacle Property Consultancy and AMP Capital.

Other directorships and positions
Kent is a current director of Victoria's Desalination Plant and Victoria's Comprehensive Cancer Centre. He is also an Associate of the Australian Property Institute and Member of the Australian Institute of Company Directors.

INFORMATION ON DIRECTORS (CONTINUED)

COMPANY SECRETARY

BRENTON COX, LLM (CANTAB), LLB (HONS), GDLP, BCOM (ACC), BFIN - *COMPANY SECRETARY*

Experience and expertise
Brenton was appointed Executive General Manager Finance and Corporate in April 2017 after joining AAL at the end of 2013 as the Executive General Manager of Corporate Affairs, General Counsel and Company Secretary. Brenton 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 began 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.

Other directorships and positions
Brenton is currently on the Boards of Seymour College, the South Australian Property Council and the South Australian Freight Council.

ALICIA BURGEMEISTER, LLB (HONS), GDLP, BBEHAVSC (PSYCH), LLM (APPLIED LAW), GAICD - *COMPANY SECRETARY*

Experience and expertise
Alicia was appointed Company Secretary in February 2017 after joining Adelaide Airport in mid-2015 as Legal Counsel and Policy Manager.

Alicia was previously Legal Counsel for Viterra & Glencore Grain and a solicitor at Thomson Geer Lawyers.

Alicia has a Bachelor of Laws and Legal Practice Honours and a Bachelor of Behavioural Science (Psychology) from Flinders University. Alicia has completed a Masters of Law (In House Practice) at the College of Law and is a graduate and member of the Australian Institute of Company Directors. Alicia is admitted to practise as a solicitor and barrister of the Supreme Court of South Australia and the High Court of Australia.

Other directorships and positions
Alicia is a current committee member of the Adelaide Football Club Professional Standards and Integrity Committee and the immediate past president and current committee member of the Association of Corporate Counsel Australia (SA Division).

SHANE FLOWERS, BSC, MSC, FCA, MAICD - *COMPANY SECRETARY (RESIGNED 28 APRIL 2017)*

Experience and expertise
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.

Other directorships and positions
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 2017, and the numbers of meetings attended by each Director were:

		Meetings of committees			
	Full meetings of directors	Audit and Compliance Committee	Remuneration Committee	Property Development Committee	Aeronautical & Related Infrastructure Development Committee
	Attended/ Held	Attended/ Held	Attended/Held	Attended/ Held	Attended/Held
Alan James Mulgrew	10 of 10	n/a	2 of 2	10 of 10	10 of 10
Christopher John McArthur	10 of 10	5 of 5	n/a	10 of 10	10 of 10
James Brendan Hogan	9 of 10	n/a	2 of 2	9 of 10	9 of 10
James Leonard Tolhurst	10 of 10	5 of 5	2 of 2	10 of 10	10 of 10
Jane Yuile	10 of 10	5 of 5	n/a	10 of 10	10 of 10
John Frederick Ward	10 of 10	5 of 5	2 of 2	10 of 10	10 of 10
Mark Dennis Young *	10 of 10	5 of 5	2 of 2	10 of 10	10 of 10
Robert Ian Chapman	10 of 10	5 of 5	2 of 2	10 of 10	10 of 10
Alan Shang Ta Wu **	n/a	n/a	n/a	n/a	n/a
Kent Ian Robbins **	n/a	n/a	n/a	n/a	n/a

**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 49.

ROUNDING OF AMOUNTS

ADELAIDE AIRPORT LIMITED
DIRECTORS' REPORT
30 JUNE 2017
(CONTINUED)

The Company is of a kind referred to in Instrument 2016/191, 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 Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

JAMES LEONARD TOLHURST
DIRECTOR

MARK DENNIS YOUNG
DIRECTOR

Adelaide
26 September 2017

ADELAIDE AIRPORT LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Consolidated	
		30 June 2017 $'000	30 June 2016 $'000*
Revenue from continuing operations	5	**198,519**	186,982
Changes in fair value of investment properties	9	**25,682**	16,745
Other income		**724**	889
Employee benefits expense		**(16,664)**	(17,023)
Services & utilities		**(41,328)**	(40,978)
Consultants & advisors		**(4,306)**	(4,157)
General administration		**(8,133)**	(7,977)
Leasing & maintenance		**(4,935)**	(5,437)
Profit/(loss) on disposal of property, plant & equipment		**7**	22
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**149,566**	129,066
Interest income	16	**1,819**	2,276
Finance costs	16	**(61,412)**	(66,547)
Depreciation & amortisation	8, 10, 11	**(21,971)**	(21,521)
Impairment of property, plant & equipment	8	**(131)**	(16)
Changes in fair value of financial instruments		**1,480**	(2,954)
Profit before income tax		**69,351**	**40,304**
Income tax expense	6	**(20,825)**	(11,659)
Profit for the period		**48,526**	**28,645**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax	18	**22,646**	(33,424)
Changes in the fair value of foreign currency basis spread reserve, net of tax	18	**(748)**	8,671
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings, net of tax	18	**577**	378
Other comprehensive income for the period, net of tax		**22,475**	**(24,375)**
Total comprehensive income for the period		**71,001**	**4,270**

**Note 27 includes details of a restatement.*
The above consolidated statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.

ADELAIDE AIRPORT LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017

	Notes	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000*
ASSETS			
Current assets			
Cash and cash equivalents	12	**79,530**	68,116
Trade and other receivables	13	**25,896**	23,504
Total current assets		**105,426**	**91,620**
Non-current assets			
Receivables		**997**	1,464
Derivative financial instruments	17	**7,728**	41,404
Property, plant and equipment	8	**379,495**	378,544
Investment properties	9	**382,030**	351,700
Intangible assets	10	**184,014**	184,764
Prepaid operating lease	11	**120,298**	121,711
Total non-current assets		**1,074,562**	1,079,587
Total assets		**1,179,988**	**1,171,207**
LIABILITIES			
Current liabilities			
Trade and other payables	14	**19,263**	19,450
Borrowings	15	**164,700**	264,898
Derivative financial instruments	17	**13,358**	13,067
Current tax liabilities		**6,618**	3,627
Provisions	24	**4,034**	5,330
Deferred revenue		**1,872**	825
Total current liabilities		**209,845**	**307,197**
Non-current liabilities			
Borrowings	15	**750,302**	683,908
Deferred tax liabilities	7	**113,278**	95,436
Provisions	24	**1,348**	673
Derivative financial instruments	17	**28,423**	56,427
Deferred income		**1,566**	3,341
Total non-current liabilities		**894,917**	839,785
Total liabilities		**1,104,762**	1,146,982
Net assets		**75,226**	**24,225**
EQUITY			
Contributed equity		**1,905**	1,905
Other reserves	18	**(19,364)**	(41,839)
Retained earnings		**92,685**	64,159
Total equity		**75,226**	**24,225**

**Note 27 includes details of a restatement.*
The above consolidated balance sheet should be read in conjunction with the accompanying notes.

ADELAIDE AIRPORT LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

		Attributable to owners of Adelaide Airport Limited			
Consolidated	**Notes**	**Share capital $'000[1]**	**Other reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2015		1,905	(17,464)	80,514	64,955
Profit for the year		-	-	30,990	30,990
Correction of error (net of tax)	27	-	-	(2,345)	(2,345)
Restated profit for the period		-	-	28,645	28,645
Other comprehensive income	18	-	(24,375)	-	(24,375)
Total comprehensive income for the period		**-**	**(24,375)**	**28,645**	**4,270**
Transactions with owners in their capacity as owners:					
Dividends	19	-	-	(45,000)	(45,000)
Balance at 30 June 2016		**1,905**	**(41,839)**	**64,159**	**24,225**
Balance at 1 July 2016		1,905	(41,839)	64,159	24,225
Profit for the year		-	-	48,526	48,526
Other comprehensive income	18	-	22,475	-	22,475
Total comprehensive income for the period		**-**	**22,475**	**48,526**	**71,001**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	19	-	-	(20,000)	(20,000)
Balance at 30 June 2017		**1,905**	**(19,364)**	**92,685**	**75,226**

[1] Share capital comprises 1,904,676 fully paid ordinary shares.
The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ADELAIDE AIRPORT LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		224,078	208,613
Payments to suppliers and employees (inclusive of GST)		(102,134)	(97,626)
		121,944	110,987
Interest paid		(39,625)	(43,709)
Income taxes (paid)		(9,621)	(10,300)
RPS dividend		(21,625)	(21,804)
Interest Received		1,876	2,291
Net cash inflow from operating activities	12	52,949	37,465
Cash flows from investing activities			
Payments for property, plant and equipment and investment properties		(24,448)	(38,728)
Proceeds from sale of property, plant and equipment		15	22
Payments for other non-current assets		-	(346)
Capitalised borrowing costs		(452)	-
Net cash (outflow) from investing activities		(24,885)	(39,052)
Cash flows from financing activities			
Proceeds from borrowings		270,500	335,533
Repayment of borrowings		(265,000)	(303,000)
Dividends paid to company's shareholders	19	(20,000)	(45,000)
Borrowing costs paid		(2,150)	(2,064)
Net cash (outflow) from financing activities		(16,650)	(14,531)
Net increase (decrease) in cash and cash equivalents		11,414	(16,118)
Cash and cash equivalents at the beginning of the financial year		68,116	84,234
Cash and cash equivalents at end of period	12	79,530	68,116

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

BASIS OF PREPARATION

ADELAIDE AIRPORT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

This section provides information about the basis of preparation of the financial statements, and certain accounting policies that are not disclosed elsewhere in the financial statements. Accounting policies specific to individual elements of the financial statements are located within the relevant section of the report.

1. STATEMENT OF COMPLIANCE

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 AASB

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. 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) and investment property at fair value .

III. CURRENT ASSET DEFICIENCY

The Group had current liabilities in excess of current assets as at 30 June 2017 amounting to $104.419 million. This deficiency is caused by the classification of $165 million of the Group's bank debt facility maturing in April 2018 as a current liability. As at 30 June 2017, the Group was at an advanced stage in the process of refinancing this maturing debt facility. In July 2017 the Group issued $200 million in floating rate medium term notes with the proceeds from the issue applied to the full repayment and cancellation of the maturing facility, with the balance to fund future 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.

2. 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 2017 and the results of all subsidiaries for the year then ended. Adelaide Airport Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

3. ROUNDING OF AMOUNTS

The Company is of a kind referred to in Instrument 2016/191, 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 Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are disclosed in the following notes:

- Estimated impairment of goodwill (note 10)
- Fair value measurement of investment properties (note 9)
- Fair value measurement of financial instruments (note 17)

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION

ADELAIDE AIRPORT LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2017 (CONTINUED)

This section focuses on the operating results and financial performance of the Group. It includes disclosures of revenue and the relevant accounting policy.

5. REVENUE

	30 June 2017 $'000	30 June 2016 $'000
From continuing operations		
Sales revenue		
Aeronautical revenue	**101,828**	93,596
Commercial trading revenue	**49,351**	46,724
Property revenue	**45,318**	44,709
Other revenue	**2,022**	1,953
	198,519	**186,982**

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. 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:

Revenue Stream	Nature	Recognition
Aeronautical	Aeronautical revenue is comprised of 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.	Revenue is recognised on an accruals basis in the period when the services are provided, net of rebates.
Commercial trading	Commercial revenue is comprised of car parking, car rental, rental income from retail tenants, whose sale activities include duty free, food and beverage, banking and currency and advertising services.	Revenue is recognised on an accruals basis when the service is provided. Contingent revenue is recognised when the contingent event occurs.
Property revenue	Property revenue is comprised of rental from airport terminals, buildings and other leased areas.	Property rental revenue is accounted for on a straight line basis over the lease term.

TAXATION

6. **INCOME** TAX EXPENSE

	30 June 2017 $'000	30 June 2016 $'000
Current tax on profits for the year	**13,069**	7,190
Adjustments for current tax of prior periods	**(455)**	(445)
	12,614	**6,745**
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**8,935**	374
(Decrease)/Increase in deferred tax liabilities	**(724)**	4,540
	8,211	4,914
Income tax expense	**20,825**	**11,659**

Income tax expense is calculated at the applicable corporate tax rate of 30%, which was the tax rate enacted at reporting date. Income tax expense comprises both current and deferred tax expense:

- Current tax expense represents the expense relating to the expected current year taxable income.
- Deferred tax expense represents the expense relating to the future tax consequences of all transactions undertaken in the current year, regardless of when their tax impact may occur.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

TAX CONSOLIDATION

Adelaide Airport Limited is head of the tax consolidated group, formed as of 1 July 2003, which includes its wholly owned Australian entities. As a consequence, all members of the tax consolidated group are taxed as a single entity.

Members of the tax consolidated group have also entered into tax sharing and tax funding agreements.

Under the tax funding agreement Adelaide Airport Limited is compensated by members for any of their current tax payables assumed. Equally, members are compensated by Adelaide Airport Limited for any current tax receivables and deferred tax assets arising from unused tax losses transferred to Adelaide Airport Limited. The funding amounts received / paid are determined based on the amounts recognised in member entities' financial statements and settled via intercompany receivables or payables.

In the event of default by Adelaide Airport Limited on its tax obligations, the tax liabilities of members of the tax consolidated group will be governed by the tax sharing agreement.

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2017 $'000	30 June 2016 $'000
Profit from continuing operations before income tax expense	**69,351**	40,304
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	**20,805**	12,091
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expense	**20**	13
Under/(over provided) in prior years balance	**-**	(77)
Research and Development Expenditure	**-**	(368)
Income tax expense	**20,825**	**11,659**

(b) Amounts recognised directly in equity

	30 June 2017 $'000	30 June 2016 $'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:		
Deferred tax: Hedges and interest bearing liabilities	**9,631**	**(10,446)**

7. DEFERRED TAX BALANCES

The carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes are not always the same. These differences result in temporary tax differences which usually reverse over time. The amount of these temporary differences is based upon the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Until these differences reverse a deferred tax asset or liability must be recognised on the balance sheet using the applicable tax rates enacted or substantially enacted at reporting date. This is referred to as the balance sheet liability method.

Deferred tax is not recognised for the following temporary differences:

i. initial recognition of goodwill;

ii. the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (other than in a business combination); and

iii. differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future.

A deferred tax asset is also only recognised to the extent it is probable that future taxable amounts will be available against which those temporary differences can be utilised.

Deferred tax assets and liabilities are offset by the Group as:

- it has a legally enforceable right to offset current tax assets and liabilities, and
- deferred tax balances relate to the same taxation authority.

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2017 $'000	**2016 $'000**	**2017 $'000**	2016 $'000
As at 30 June				
Investment property revaluations*	**-**	-	**(84,116)**	(74,976)
Prepaid operating leases	**-**	-	**(35,838)**	(36,262)
Property, plant and equipment	**-**	-	**(6,703)**	(7,815)
Intangible assets	**-**	-	**(1,381)**	(1,606)
Accrued revenue and interest	**-**	-	**(848)**	(877)
Borrowing costs	**-**	-	**(234)**	(31)
Cash flow hedges	**13,777**	23,161	**-**	-
Fair value hedges	**-**	-	**(1,467)**	(9,497)
Borrowings	**1,453**	9,927	**-**	-
Provisions	**1,609**	1,830	**-**	-
Other	**470**	710	**-**	-
Recognised deferred tax assets/liabilities	**17,309**	35,628	**(130,587)**	(131,064)
Set-off of deferred tax assets	**(17,309)**	(35,628)	**17,309**	35,628
Net deferred tax liabilities	**-**	**-**	**(113,278)**	**(95,436)**

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

Movement in temporary differences during the financial year

	Deferred tax assets		Deferred tax liabilities	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Opening balance at 1 July	**35,628**	15,897	**(131,064)**	(116,865)
• Recognised in profit & loss	**(8,935)**	9,123	**724**	(14,037)
• Recognised in equity	**(9,384)**	10,608	**(247)**	(162)
Closing balance at 30 June	**17,309**	**35,628**	**(130,587)**	**(131,064)**

CAPITAL EXPENDITURE AND INVESTMENT PROPERTIES

ADELAIDE AIRPORT LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2017 (CONTINUED)

This section includes information about the assets used by the Group to generate profits and revenue, specifically information relating to property, plant and equipment, investment properties, intangible assets and prepaid operating leases.

8. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress $'000	Leasehold buildings and improvements $'000	Plant and equipment $'000	Total $'000
Useful life (years)		8 yrs - balance of lease term	3 - 25	
Year ended 30 June 2016				
Opening net book amount	35,496	288,598	43,470	367,564
Additions	(19,413)	35,611	14,013	30,211
Depreciation charge	-	(12,338)	(6,877)	(19,215)
Impairment loss	-	(5)	(11)	(16)
Closing net book amount	16,083	311,866	50,595	378,544
At 30 June 2016				
Cost or fair value	16,083	432,364	124,341	572,788
Accumulated depreciation	-	(120,498)	(73,746)	(194,244)
Net book amount	16,083	311,866	50,595	378,544
Year ended 30 June 2017				
Opening net book amount	16,083	311,866	50,595	378,544
Additions	8,014	7,053	5,765	20,832
Disposals	-	-	(7)	(7)
Depreciation charge	-	(12,577)	(7,166)	(19,743)
Impairment loss	-	(2)	(129)	(131)
Closing net book amount	24,097	306,340	49,058	379,495
At 30 June 2017				
Cost	24,097	439,412	129,917	593,426
Accumulated depreciation	-	(133,072)	(80,859)	(213,931)
Net book amount	24,097	306,340	49,058	379,495

(a) Recognition and measurement

The Group recognises items of property, plant and equipment at cost less accumulated depreciation. The cost of self-constructed assets includes the cost of materials, direct labour and associated oncosts, capitalised borrowing costs and any other costs directly attributable to bringing the asset to a working condition for their intended use.

Except for the low value asset pool, depreciation of property, plant and equipment is on a straight line basis in profit or loss over the estimated useful lives of each component from the date that they are installed and are ready to use, or in respect of internally constructed assets are completed and ready to use.

Subsequent expenditure is capitalised only when it is probable that future economic benefit will flow to the Group.

Ongoing repairs and maintenance are expense as incurred.

(b) Impairment of property, plant and equipment

The carrying amount of the Group's property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. For the purposes of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGU). Parafield Airport is assessed as a separate CGU and an impairment loss in relation to operational assets is recognised in the profit or loss.

(c) Capital expenditure commitments

At reporting date, the Group has capital expenditure commitments of $13.773m (2016: $4.217m).

9. INVESTMENT PROPERTIES

	30 June 2017 $'000	30 June 2016 $'000
Investment properties movements		
At fair value		
Opening balance 1 July	351,700	325,330
Capitalised subsequent expenditure	3,891	7,832
Net gain from fair value adjustments	25,682	16,745
Reclassification from investment to operating use	(93)	-
Reclassification from operating to investment	850	1,793
	382,030	351,700

(a) Nature

Investment property is comprised of land, buildings and fixed plant and equipment intended to be leased to third parties and are not occupied by the Group.

Contractual obligations to purchase, construct or develop investment property are included in note 8(c).

Land or property reclassified from investment property to operating land is described in note 11(c).

(b) Recognition and measurement

Investment properties are initially recognised at cost and are subsequently measured at fair value with any changes therein recognised in profit or loss.

At each balance date, the Directors update their assessment of the fair value, taking into account external independent valuation conducted by Knight Frank Pty Ltd ('Knight Frank'). Knight Frank undertake a full scope valuation of investment properties once every three years and adopt a 'desktop' review method in years 2 and 3. Financial year 2017 represents the second year of the 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 values. 'Full scope' valuation processes incorporate all of the above plus site inspections.

(b) Recognition and measurement (continued)

In undertaking the valuation Knight Frank use a variety of valuation methods:

Valuation Approach	Description
Capitalisation	A valuation method that determines fair value by capitalising 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 with subsequent capital adjustments to reflect the specific 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.
Discounted Cash Flow (DCF)	A valuation method carried out over an investment horizon of ten years. The discounted cash flow approach assesses 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 years, and allows for a 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.
Direct Comparison	A valuation method used for valuing freehold land and involves comparing sales of similar properties in the same or similar areas.

The fair value measurement hierarchy used in calculating fair value has been classified as level 3 on the basis that there are significant inputs that are not based on observable market data. Unobservable inputs include:

Inputs	Impact of increase in input
Capitalisation rate	Decrease fair value
Discount rate	Decrease fair value
Annual net property income per square metre	Increase fair value

(c) Leasing arrangements

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

	30 June 2017 $'000	30 June 2016 $'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	27,099	24,929
Later than one year but not later than 5 years	114,869	105,838
Later than five years	162,047	149,904
	304,015	280,671

10. INTANGIBLE ASSETS

	Goodwill $'000	Master plan costs $'000	Property leases $'000	Total $'000
Useful life (years)	Indefinite	5	Balance of lease term	
Year ended 30 June 2016				
Opening net book amount	179,410	2,287	3,513	185,210
Additions - acquisition	-	346	-	346
Amortisation charge	-	(622)	(170)	(792)
Closing net book amount	179,410	2,011	3,343	184,764
Cost	179,410	2,899	20,853	203,162
Accumulated amortisation and impairment	-	(888)	(17,510)	(18,398)
Net book amount	179,410	2,011	3,343	184,764
Year ended 30 June 2017				
Opening net book amount	179,410	2,011	3,343	184,764
Amortisation charge	-	(580)	(170)	(750)
Closing net book amount	179,410	1,431	3,173	184,014
At 30 June 2017				
Cost	179,410	2,899	20,853	203,162
Accumulated amortisation and impairment	-	(1,468)	(17,680)	(19,148)
Net book amount	179,410	1,431	3,173	184,014

(a) Nature

Intangible asset	Nature
Goodwill	Goodwill on acquisition of the operating leases for Adelaide and Parafield Airports.
Revenue leases	Excess value of certain revenue generating operating leases acquitted with the operating leases for Adelaide and Parafield airports over the fair value of those leases.
Master plan costs	Under the Airports Act 1996 Adelaide and Parafield Airports are required to prepare a Master Plan every 5 years. All fees and costs incurred in the development of Adelaide and Parafield Airport master plan are included as an intangible asset.

(b) Recognition and measurement

Goodwill arises on acquisition of a business. It is subsequently measured at cost less accumulated impairment losses and tested for impairment annually.

Except for goodwill, the Group recognises intangible assets at cost directly attributable to the acquisition of the asset. The subsequent measurement of intangible assets is at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is accounted for on a straight-line basis in profit or loss over the assets' estimated useful lives from the date they are available for use.

(c) Impairment of intangible assets

The carrying amounts of the Group's intangible assets other than deferred tax assets are reviewed at each reporting date to determine any indication of impairment. Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows - cash generating units (CGU).

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is never reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For year ended 30 June 2017 no intangible assets were impaired (30 June 2016: nil).

(d) Critical estimates and assumptions - impairment test for goodwill

Assessing value in use requires directors to make significant estimates and assumptions. A discounted cash flow methodology has been adopted to value the Group's investment. Under this methodology, estimated cash flows are discounted to their present value using a discount rate which reflects the risks pertaining to the Group's operations.

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 and economic assumptions. Projected revenue growth is primarily driven by the passenger traffic forecast. Growth in passenger numbers over the forecast period is based on information provided by an independent specialist.

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

11. PREPAID OPERATING LEASE

	30 June 2017 $'000	30 June 2016 $'000
Prepaid operating lease movements		
Opening balance 1 July	**121,711**	124,478
Revaluation gain on transfer to investment properties	**822**	540
Reclassification from operating to investment	**(850)**	(1,793)
Reclassification from investment to operating	**93**	-
Amortisation	**(1,478)**	(1,514)
	120,298	121,711

(a) Nature

In May 1998 the Commonwealth of Australia granted the Group 50 year leases of Adelaide and Parafield Airports with an option to extend each lease a further 49 years.

(b) Recognition and measurement

The Prepaid Operating lease is recognised at the original (May 1998) valuation of the land that still remains operational. The prepaid operating lease amount is amortised on a straight line basis over the term of the lease.

(c) Transfer to/from investment property

When the use of land or property changes from operational land to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in the asset revaluation reserve.

When the use of investment property changes to owner-occupied or operational purposes, the property is measured at fair value as per directors' valuation and reclassified as prepaid operating lease.

WORKING CAPITAL MANAGEMENT

ADELAIDE AIRPORT LIMITED
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2017 (CONTINUED)

This section provides information about the Group's working capital balances and management, including cash flow information. Cash flow management is a significant consideration in running our business in an efficient and resourceful manner.

12. **CASH AND** CASH EQUIVALENTS

	30 June 2017 $'000	30 June 2016 $'000
Cash at bank and in hand	**63,063**	51,741
Distribution account	**2,020**	1,991
Cash reserves at bank*	**14,447**	14,384
	79,530	**68,116**

Cash and cash equivalents includes cash on hand and short-term deposits held with financial institutions.

Deposits classified as cash equivalents are considered to be readily convertible to known amounts of cash and subject to an insignificant risk of change in value and at balance date have a remaining term to maturity of 3 months or less.

* Cash reserves established subject to certain conditions in the Security Trust Deed, are debt service reserves not available for general working capital use.

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

	30 June 2017 $'000	30 June 2016 $'000
Profit for the year	**48,526**	28,645
Depreciation and amortisation of property plant and equipment	**19,743**	19,215
Amortisation of intangible assets	**750**	792
Amortisation of borrowing costs	**1,575**	1,688
Amortisation of prepaid operating lease	**1,478**	1,514
RPS redemption premium	**190**	168
(Gain)/Loss on fair value hedges	**(1,480)**	2,954
Net (gain) on sale of assets	**(7)**	(22)
Fair value adjustment to investment property	**(25,682)**	(16,745)
Impairment of assets	**131**	16
Movements in current and deferred tax assets and liabilities	**20,825**	11,660
Income tax paid	**(9,622)**	(10,300)
(Increase) in trade debtors and accrued income	**(2,816)**	(2,459)
(Increase)/Decrease in prepayments	**(573)**	270
(Decrease)/Increase in trade creditors	**(89)**	69
Net cash inflow/(outflow) from operating activities	**52,949**	**37,465**

13. **TRADE AND** OTHER RECEIVABLES

	30 June 2017 $'000	30 June 2016 $'000
Current receivables		
Net trade receivables		
Trade debtors	**18,827**	16,248
Provision for impairment of debtors	**(1,072)**	(97)
	17,755	**16,151**
Other receivables		
Accrued revenue	**6,733**	6,518
Prepayments	**1,408**	835
	8,141	7,353
	25,896	**23,504**

(a) Recognition and measurement

Trade receivables are recognised initially at fair value which approximates their carrying value. Subsequent measurement is recorded at amortised cost, less provision for impairment raised for doubtful debts based on an ongoing review of all outstanding amounts. Trade receivables are due for settlement no later than 30 days from the date of recognition.

14. **TRADE AND** OTHER PAYABLES

	30 June 2017 $'000	30 June 2016 $'000
Current liabilities		
Trade payables	**4,069**	3,861
Other payables	**14,905**	15,312
Retentions and deposits	**289**	277
	19,263	**19,450**

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. Trade payables are held at amortised cost.

Our business has exposure to capital, credit, liquidity and market risks. This section provides information relating to our management of, as well as, our policies for measuring and managing these risks.

15. BORROWINGS

	30 June 2017 $'000	30 June 2016 $'000
Current liabilities		
Secured		
Borrowings	**164,700**	264,898
Total current borrowings	**164,700**	**264,898**
Non-current liabilities		
Secured		
Medium term notes 2024	**(108)**	-
Bilateral banking facility	**217,632**	113,055
US Bonds	**343,781**	382,065
Total secured non-current borrowings	**561,305**	495,120
Redeemable preference shares	**188,997**	188,788
Total non-current borrowings	**750,302**	**683,908**

The balances and other details related to the Group's borrowings are presented in the following tables.

Facility	Working Capital Facility
Currency	AUD
Limit	$20 million
Drawn principal	Nil
Carrying value	Nil
Interest rate	90 day BBSY (Bank bill swap bid rate) plus a predetermined rate
Maturity	December 2017

Facility	Bilateral Bank Facility (2018) - Secured
Currency	AUD
Limit	$165 million
Drawn principal	$165 million
Carrying value	$164.700 million
Interest rate	90 day BBSY bank bill rate plus a predetermined margin
Maturity	April 2018 (subsequently repaid in July 2017)

Facility	Bilateral Bank Facility (2021, 2023) - Secured
Currency	AUD
Limit	$285 million
Drawn principal	$220 million
Carrying value	$217.632 million
Interest rate	90 day BBSY bank bill rate plus a predetermined margin
Maturity	April 2018

Facility	US Bonds - Secured
Currency	USD and AUD
Limit	AUD$335.500 million (USD$225 million and AUD$50 million)
Drawn principal	AUD$335.500 million
Carrying value	AUD$343.781 million
Interest rate (USD denominated bonds)	10-year (USD$71 million) issue priced at 155bps above US Treasuries; 12-year (USD$87 million) issue priced at 165bps above US Treasuries; 15-year (USD$67 million) issue priced at 180bps above US Treasuries.
Interest rate (AUD denominated bonds)	10-year floating (AUD$25 million) 165 points above US Treasuries including AUD swap costs;15-year fixed (AUD$25 million) at 5.39%
Maturity	2025-2030

Facility	Medium Term Notes 2024 - Secured
Currency	AUD
Limit	$200 million
Drawn principal	Nil
Carrying value	$0.108 million asset in relation to set-up cost for Medium Term Notes 2024
Interest rate	90 day BBSW (Bank bill swap rate) plus a predetermined margin
Maturity	July 2024

Facility	Redeemable Preference Shares
Currency	AUD
Face value	$99 per share. Each RPS is stapled to an ordinary share in Adelaide Airport Limited.
Redemption value	$100 per share
Carrying value	$189.000 million
Interest rate	11.5%
Redemption date	18 July 2024
RPS shareholder entitlement	The holder of a RPS is entitled to a non-cumulative interest payment. Interest is payable quarterly subject to availability of distributable cash calculated in accordance with the terms of a Loan Note Deed Poll. RPS holders are subordinated to the senior creditors. Since the shares are mandatorily redeemable, they are recognised as liabilities

16. **NET** FINANCE COSTS

	30 June 2017 $'000	30 June 2016 $'000
Finance income		
Bank interest	1,819	2,276
Total finance income	1,819	2,276
Finance costs		
Interest paid or payable	38,474	42,887
Dividends on RPS paid and/or provided	21,625	21,804
Amortisation of borrowing costs	1,575	1,688
Redemption Premium Expense	190	168
Borrowing costs capitalised	(452)	-
Total finance costs	61,412	66,547
Net finance costs	(59,593)	(64,271)

(a) Recognition and measurement

Finance income relates to the interest income on cash and term deposits receivable which are brought to account using the effective interest rate method.

Finance costs are recognised as expenses when incurred using the effective interest rate method, except where they relate to qualifying assets.

(b) Capitalisation of borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

17. **DERIVATIVE** FINANCIAL INSTRUMENTS

The Group holds interest rate swaps and cross currency swaps as derivative instruments. Derivatives financial instruments are recognised initially 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 gain or loss on remeasurement to fair value is recognised in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged, refer below section (a). Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

The following table shows the fair value of financial instruments analysed by type of instrument:

	30 June 2017 $'000	30 June 2016 $'000
Non-current assets		
Cross currency swaps	7,728	41,404
Total non-current derivative financial instruments	7,728	41,404
Current liabilities		
Cross currency swaps	2,419	1,984
Interest rate swaps	10,939	11,083
Total current derivative financial instrument liabilities	13,358	13,067
Non-current liabilities		
Interest rate swaps	28,423	56,427
Total non-current derivative financial instrument liabilities	28,423	56,427
Total net derivative financial instrument liabilities	34,053	28,090

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The fair value of interest rate swaps and cross currency swaps are calculated by discounting the expected future cash flows using assumptions supported by observable markets rates (e.g. interest rates and exchange rates) adjusted for specific features of the instruments and debit or credit value adjustments based on the Group's or the derivative counterparties' credit risk.

(a) Derivatives and hedging activities

The Group uses its derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. At the inception of the hedging transaction, the Group designates and documents the economic 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 accounting for the subsequent changes in fair value of derivative instruments used for hedging activities depends on the nature of the item being hedged and the type of hedging relationships designated. The Group designates certain derivatives as either:

- hedges of the fair value of recognised liabilities (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised liabilities (cash flow hedges).

17. **DERIVATIVE** FINANCIAL INSTRUMENTS (CONTINUED)

(a) Derivatives and hedging activities (continued)

Fair value hedge
A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk.

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 increments/(decrements) in the fair value of financial instruments, 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 also within increments/(decrements) in the fair value of financial instruments.

Cash flow hedge
A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect profit or loss.

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 cash flow hedge reserve, limited to the lower of change in hedging instrument or cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. 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).

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.

Foreign currency basis spread reserve
The foreign currency basis spread reserve represents the fair value movement of the currency basis spread component of the Group'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.

(b) Risk management strategies

The Group's activities expose it to foreign currency risk and interest rate risk (market related risks). In order to minimise any adverse effects on the financial performance of the Group cross currency swaps and interest rate swaps are used to hedge these risk exposures. These swap contracts have the effect of:

- Cross currency swaps: Converting USD fixed interest rate borrowings into AUD floating rate borrowings, securing a fixed AUD-USD exchange rate.
- Interest rate swaps: Converting floating interest rate borrowings to fixed interest rate borrowings, locking in a fixed interest rate.

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

I. FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk on its USD denominated US Bonds. The Group's Risk Management Policy is to fully hedge the foreign currency risk on these US Bonds (that is, fluctuations in the AUD-USD exchange rate) from the initial issuance date through to maturity. The Group has entered into cross currency swaps to hedge this foreign currency risk exposure.

For the purpose of hedge accounting these cross currency swap instruments are split into four components:

- A USD interest rate swap where Adelaide Airport Limited receives a USD fixed rate and pays floating USD LIBOR (fair value hedge). This component of the swap manages the Group's exposure to changes in fair value of the fixed rate USD debt arising from fluctuations in the USD LIBOR.
- A cross currency basis swap Adelaide Airport Limited receives floating USD LIBOR and pays floating AUD BBSW (cash flow hedge). This component of the swap hedges the Group's variability in cash flows relating to the principal and interest components of the USD debt due to movements in exchange rates, and converts the Group's exposure to USD LIBOR to an AUD BBSW exposure, which is subsequently mitigated through the Group's AUD floating to fixed interest rate swaps.
- A swap where Adelaide Airport Limited receives fixed USD margin and pays a fixed AUD margin (cash flow hedge). This component of the swap hedges the foreign currency exposure on the USD margin component of the USD interest payments to achieve a fixed AUD:USD exchange rate, fully mitigating foreign exchange risk.
- Currency basis spread which represents the liquidity charge for exchanging different currencies (deferred in equity as a cost of hedging).

At 30 June 2017 100% (30 June 2016: 100%) of the Group's USD denominated US Bonds were hedged in respect of foreign currency risk. As at the end of the reporting period, the Group had the following amount of US Bonds (USD denominated) and notional principal amount of cross currency swap contracts outstanding:

	30 June 2017 $'000	30 June 2016 $'000
Outstanding derivative contracts		
US Bonds	**285,500**	285,500
Cross currency swaps (notional amount)	**(285,500)**	(285,500)
	-	-

The currency basis spread incorporated within the margin on the cross currency swaps has been excluded from the hedging relationship and deferred in the foreign currency basis spread reserve. Refer to Note 18 for movements in the foreign currency spread reserve.

II. INTEREST RATE RISK

The Group is exposed to two forms of interest rate risk:

- Cash flow interest rate risk (exposure to variable interest rates); and
- Fair value interest rate risk (exposure to fair value movements on fixed rate debt)

17. **DERIVATIVE** FINANCIAL INSTRUMENTS (CONTINUED)

(b) Risk management strategies (continued)

Cash flow interest rate risk:
The Group is exposed to cash flow interest rate risk from its AUD bonds and bilateral banking facility (floating BBSW plus a margin) and the synthetic AUD floating interest rate exposure created from the USD fixed to AUD floating interest rate swap component of its cross currency swaps (refer to section (i) above). Fluctuations in interest rates expose the Group to greater or lower interest payments.

It is a Board policy to protect no less than 75% of the Group's borrowings from exposure to fluctuations in interest rates over a set period. Accordingly, the Group has entered into interest rate swaps which are designated in cash flow hedge relationships. Under these swaps the Group agrees, at specified intervals, to receive interest at variable rates and pay interest at fixed rates, effectively fixing the Group's interest rate.

Fixed rate loans and swaps currently in place cover 87% (2016: 84%) of the loan principal outstanding. The average fixed interest rate is 5.4% (2016: 5.4%) and the variable rates are based on the 90 day BBSY (bid) bank bill rate or 90 day BBSW bank bill rate.

Fair value interest rate risk:
The Group is also exposed to fair value interest rate risk on its fixed interest rate US Bonds. Fluctuations in interest rate impact the fair value of the Group's US Bonds, with increases in the benchmark interest rate decreasing the fair value of the Bonds, and decreases in the interest rate having the opposite effect.

The Group uses the USD fixed-to-floating interest rate swap on the benchmark interest component of the cross currency swaps to manage this fair value interest rate risk exposure. This component of the cross currency swaps is designated in a fair value hedge relationship. This results in fair value changes in this component offsetting fair value adjustments recognised on the Group's US Bonds, which are recognised at fair value on the balance sheet until hedge accounting is discontinued.

Hedge Ineffectiveness: The terms of the Group's cross currency swaps and interest rate swaps (hedging instruments) have been specifically structured to match the underlying terms of its borrowing exposures (hedged items), such that the hedge ratio is 1:1 for all hedge relationships. As the terms of the hedging instruments exactly mirror the terms of the hedged items the cash flow and fair value hedges are expected to be highly effective both at designation and at all future measurement dates.

Ineffectiveness may however arise from time to time as a result of differences between the credit risk inherent within the hedged items and the hedging instruments.

(c) Effects of applying hedge accounting

As at 30 June 2017	Carrying amount of hedging instrument		Carrying amount of the hedged item		Change in value of the Hedging Instrument since inception	Change in value of the Hedging Item since inception	Recognised in Profit or Loss	Total Hedge Reserves
$'000	Asset	Liability	Asset	Liability	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)
Cash flow hedges								
Interest Rate Swaps	3,751	(43,112)	-	(297,357)	(39,361)	39,841	10	(39,361)
Cross Currency Swaps	1,426	(1,200)	-	-	3,900	(4,979)	(192)	(6,561)
Fair value hedges								
Cross Currency Swaps	5,083	-	-	-	5,083	(4,845)	1,672	-

As at 30 June 2016	Carrying amount of hedging instrument		Carrying amount of the hedged item		Change in value of the Hedging Instrument since inception	Change in value of the Hedging Item since inception	Recognised in Profit or Loss	Total Hedge Reserves
$'000	Asset	Liability	Asset	Liability	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)
Cash flow hedges								
Interest Rate Swaps	-	(67,510)	-	(336,081)	(67,510)	69,310	(10)	(67,500)
Cross Currency Swaps	7,762	-	-	-	11,436	(15,692)	-	(9,694)
Fair value hedges								
Cross Currency Swaps	31,657	-	-	-	31,657	(33,091)	(2,954)	-

18. RESERVES

	Asset revaluation reserve $'000	Hedging reserve - cash flow hedges $'000	Foreign currency basis spread reserve $'000	Total $'000
Year ended 30 June 2016				
Balance 1 July	11,826	(27,773)	(1,517)	(17,464)
Reclassification from operating to investment asset (net of tax)	378	-	-	378
Revaluation (net of tax)	-	(33,424)	8,671	(24,753)
Total	**12,204**	**(61,197)**	**7,154**	**(41,839)**
Year ended 30 June 2017				
Balance 1 July	12,204	(61,197)	7,154	(41,839)
Reclassification from operating to investment (net of tax)	577	-	-	577
Revaluation (net of tax)	-	22,646	(748)	21,898
Total	**12,781**	**(38,551)**	**6,406**	**(19,364)**

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. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

19. DIVIDENDS

	Consolidated and Parent Entity	
	30 June 2017 $'000	30 June 2016 $'000
Dividends for the year ended 30 June 2017 of 10.50 cents (2016: 23.69 cents) per fully paid in two instalments 30 June 2017 (5.25 cents) and 31 December 2016 (5.25 cents).		
Final ordinary dividend	**10,000**	25,000
Interim ordinary dividend	**10,000**	20,000
	20,000	**45,000**

(a) Ordinary shareholders' entitlement

Shareholders of each fully paid ordinary share have the right to receive dividends as declared and in the event of winding up the companies, the proceeds from the sale of surplus assets in proportion to the number of and amounts paid on shares held. Ordinary dividends are paid only after the payment of interest on RPS. Refer to note 15 for RPS shareholder entitlements.

(b) Franked dividends

The final dividends recommended after 30 June 2017 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2018.

(c) Dividend franking account

	Consolidated and Parent Entity	
	30 June 2017 $'000	30 June 2016 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2016 : 30%)	12,294	11,245

GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. Specifically, it contains information about the Parent Entity, related party transactions, as well as parties to the Deed of Cross Guarantee under which each company guarantees the debts of others.

20. PARENT ENTITY FINANCIAL INFORMATION

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

Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	30 June 2017 $'000	30 June 2016 $'000*
Balance sheet		
Current assets	**88,782**	75,089
Non-current assets	**1,007,057**	982,151
Total assets	**1,095,839**	**1,057,240**
Current liabilities	**25,676**	20,476
Non-current liabilities	**1,027,165**	1,016,147
Total liabilities	**1,052,841**	1,036,623
Net assets	**42,998**	20,617
Shareholders' equity		
Ordinary shares	**1,905**	1,905
Reserves	**12,781**	12,204
Retained earnings	**28,312**	6,508
	42,998	20,617
Profit or loss for the period	**41,804**	27,454
Total comprehensive income	**41,804**	**27,454**

**Note 27 includes details of a restatement.*

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

As at 30 June 2017, the Parent Entity had contractual commitments for the acquisition of property, plant and equipment totalling $13.6 million (2016: $4.0 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.

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

21. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in this financial statements.

Name of entity	Country of incorporation	Equity holding	
		2017 %	2016 %
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 23.*

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.

22. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	30 June 2017 $	30 June 2016 $
Employee benefits	6,755,594	6,188,575
Superannuation	257,671	260,292
	7,013,265	6,448,867

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.

(b) Superannuation contributions

	Consolidated	
	30 June 2017 $	30 June 2016 $
Contributions to superannuation funds on behalf of employees	1,442,077	1,338,273

23. DEED OF CROSS GUARANTEE

Adelaide Airport Limited, Adelaide Airport Management Limited, Parafield Airport Limited and New Terminal Construction Company Proprietary Limited are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the 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, 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 statement of profit or loss and comprehensive income, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2017 of the closed group consisting of Adelaide Airport Limited, Parafield Airport Limited, Adelaide Airport Management Limited and New Terminal Construction Company Pty Ltd.

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

	30 June 2017 $'000	30 June 2016 $'000*
Consolidated statement of profit or loss and comprehensive income		
Revenue from continuing operations	198,519	186,982
Other income	23,872	24,355
Increments in the fair value of investment properties	25,682	16,745
Employee benefits expense	(16,664)	(17,023)
Depreciation & amortisation expense	(21,971)	(21,521)
Services & utilities	(41,328)	(40,978)
Consultants & advisors	(4,306)	(4,157)
General administration	(8,133)	(7,977)
Leasing & maintenance	(4,935)	(5,437)
Borrowing costs expense	(82,979)	(88,372)
Impairment of property, plant and equipment	(131)	(16)
Profit on disposal of property, plant and equipment	7	22
Profit before income tax	67,633	42,623
Income tax expense	(20,310)	(12,442)
Profit for the period	47,323	30,181

	30 June 2017 $'000	30 June 2016 $'000*
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	43,371	58,190
Profit for the period	47,323	30,181
Dividends provided for or paid	(20,000)	(45,000)
Retained earnings at the end of the financial year	70,694	43,371

**Note 27 includes details of a restatement.*

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2017 of the closed group.

	30 June 2017 $'000	30 June 2016 $'000*
Current assets		
Cash and cash equivalents	63,063	51,741
Trade and other receivables	18,219	16,150
Other	8,076	7,280
Total current assets	89,358	75,171
Non-current assets		
Property, plant and equipment	379,495	378,544
Investment properties	382,030	351,700
Intangible assets	184,014	184,764
Prepaid operating lease	120,298	121,711
Other receivables	997	1,464
Total-non-current assets	1,066,834	1,038,183
Total assets	1,156,192	1,113,354
Current liabilities		
Trade and other payables	17,575	15,903
Current tax liabilities	6,618	3,627
Provisions	3,188	3,155
Other	2,162	1,101
Total current liabilities	29,543	23,786
Non-current liabilities		
Borrowings	910,703	906,905
Deferred tax liabilities	126,806	118,995
Provisions	2,194	2,847
Other	1,566	3,341
Total non-current liabilities	1,041,269	1,032,088
Total liabilities	1,070,812	1,055,874
Net assets	85,380	57,480
Equity		
Contributed equity	1,905	1,905
Reserves	12,781	12,204
Retained earnings	70,694	43,371
Total equity	85,380	57,480

**Note 27 includes details of a restatement.*

OTHER INFORMATION

This section provides information that is not directly related to the specific line items in the financial statements, including employee entitlements, remuneration of auditors, contingent liabilities and the Group's commitment.

24. PROVISIONS

	30 June 2017 $'000	30 June 2016 $'000
Current liabilities		
Annual leave	1,231	1,178
Long service leave	1,957	1,977
EIP provision	846	2,175
	4,034	5,330
Non-current liabilities		
Long service leave	315	238
Provision for EIP	1,033	435
	1,348	673

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 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 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.

25. REMUNERATION OF AUDITORS

The auditor of the Group is PricewaterhouseCoopers Australia.

	30 June 2017 $	30 June 2016 $
Audit and other assurance services		
Audit and review of financial statements	146,594	115,550
Other assurance services	37,070	57,632
Taxation services	41,310	-
Total remuneration of PricewaterhouseCoopers Australia	224,974	173,182

Following a competitive tender process, PricewaterhouseCoopers Australia were appointed as the Group's tax advisors in December 2016.

26. 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.

27. CORRECTION OF ERROR IN ACCOUNTING FOR INTEREST EXPENSE

The Group established US Private Placement bonds and these were drawn down on 15 September 2015. At 30 June 2016, the interest payable on the US Bonds had not been accrued correctly and as a consequence, finance costs were understated.

The error has been corrected by restating each of the affected financial statement line items for the balance sheet as at 30 June 2016 and the income statement and statement of comprehensive income for the 12 months ending 30 June 2016.

	30 June 2016 $'000	Restatement $'000	1 July 2016 $'000
Consolidated			
Balance sheet extract			
Trade and other payables	16,100	3,350	19,450
Current tax liabilities	4,632	(1,005)	3,627
Net assets	26,570	(2,345)	24,225
Retained earnings	66,504	(2,345)	64,159
Total equity	26,570	(2,345)	24,225
Income statement extract			
Finance costs	(63,197)	(3,350)	(66,547)
Profit before income tax	43,654	(3,350)	40,304
Income tax expense	(12,664)	1,005	(11,659)
Profit for the period	30,990	(2,345)	28,645
Statement of comprehensive income extract			
Profit for the period	30,990	(2,345)	28,645
Total comprehensive income for the period	6,615	(2,345)	4,270

DIRECTORS' DECLARATION

In the Directors' opinion:

a. the financial statements and notes set out on pages 17 to 47 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 2017 and of its performance for the financial year ended on that date, and

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

c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 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 23.

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

JAMES LEONARD TOLHURST
DIRECTOR

MARK DENNIS YOUNG
DIRECTOR

Adelaide
26 September 2017

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Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Airport Pty Ltd for the year ended 30 June 2017, 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 Pty Ltd and the entities it controlled during the period.

Andrew Forman
Partner
PricewaterhouseCoopers

Adelaide
26 September 2017

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Liability limited by a scheme approved under Professional Standards Legislation.

Independent auditor's report

To the shareholders of Adelaide Airport Limited

Our opinion

In our opinion:

The accompanying financial report of Adelaide Airport Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Director's Report included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

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26 September 2017

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