Adelaide Airport

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Adelaide Airport Limited

ABN 78 075 176 653

Financial report for the year ended 30 June 2021

Contents

Directors' report

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 2021 (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 (resigned on 25 August 2020)
Alison Webster (appointed on 25 August 2020, resigned on 30 November 2020)
Christopher John McArthur
James (Jay) Brendan Hogan
Jane Elizabeth Yuile
John Frederick Ward
Lisa Brock (appointed on 25 May 2021)
Mark Dennis Young
Michael Bryan Gorman
Robert Ian Chapman
Alan Shang Ta Wu (Alternate for Christopher McArthur)
Kent Ian Robbins (Alternate for John Ward, Jane Yuile and Michael Gorman)

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 $21.685 million were provided for during the year (30 June 2020: $21.744 million) but will be paid at a later date.

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

	30 June 2021 $'000	30 June 2020 $'000
Interim ordinary dividend of nil (2020: $10.50) per fully paid share	**-**	20,000
Final ordinary dividend of nil (2020: nil) per fully paid share	**-**	-
Redeemable Preference Share dividend (in quarterly instalments)	**21,685**	21,744
	21,685	41,744

Due to the impact of COVID-19 pandemic on the financial performance and near-term outlook, no dividends were declared or paid during the year. In addition, payments of Redeemable Preference Share dividends were deferred until beyond June 2022. A decision on the return of payments to shareholders will depend on the recovery of AAL's credit metrics to levels consistent with AAL's target BBB/Baa2 rating which in turn will depend upon the effectiveness of the vaccine roll-out and the timing of the removal of domestic and international border closures.

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Significant changes in the state of affairs

The global spread of COVID-19 and the subsequent imposition of travel restrictions have dramatically impacted the aviation industry. During March 2020, the World Health Organization declared a global pandemic in relation to COVID-19. The financial position and performance of the Group continued to be affected by the COVID-19 pandemic during the year, resulting in international and domestic passenger traffic declining by 53.9% compared to the prior year. Financial performance improved significantly in the second half of the year following the relaxing of border restrictions and subsequent improvement in passenger volumes. The recovery profile of domestic and international air travel will depend upon effectiveness of vaccine rollouts, border controls and when easing of travel restrictions occurs.

Adelaide Airport continued several actions designed to manage the impact of COVID-19 on the financial resilience of the company. These actions included:

- Rationalised operations and related operating cost to reflect new environment. Operating expenditure for the full year was $51.5 million, a decrease of 40.6% on the prior year reflecting a wide range of cost reductions across every aspect of the controllable cost base;
- Suspension of discretionary expenditure, reducing the remuneration of board members, executives and the majority of employees by 20% for four months (five months for Directors and Executives);
- Executed a restructure of the Group in August 2020 to right-size the business, with a number of redundancies unfortunately made as a result. The resizing of the organisational structure will reduce future labour costs by 20%;
- Suspension of shareholder distributions from 31 December 2019; and
- Deferral or cancellation of non-critical capital expenditure whilst continuing on critical projects including Terminal Expansion and construction of Mitsubishi Motors Australia Limited building.

The Group's liquidity position and positive operating cash flow position was reinforced through:

- Executing $200 million ($150 million in June 2020 and $50 million in July 2020) of new 3-year facilities from its existing bank group, providing further liquidity in addition to cash balances of $76.4 million at 30 June 2021. At 30 June 2021, this facility together with an additional $50 million bank debt remains undrawn.
- Executing a restructure of the Group's interest rate and cross currency swaps to reduce interest payments over the next 4 years to further support debt covenants. The restructure reduced cash interest payments by $18.9 million in the 12 months ending 30 June 2021. This reduction occured through terminating out of the money interest rate swaps with an average fixed rate of 3.6% and entering into new swaps with a fixed rate of 0.22% through to June 2022, 0.35% through to July 2024 and 0.58% from June 2022 to June 2027.

Since activating its pandemic plan on 22 January 2020 the Group continued its operational response through the following actions:

- Focussed on health management through increased cleaning and social distancing measures;
- Increased focus on freight to maintain the supply chain and supported carriers to repatriate Australian citizens and permanent residents;
- Relocated aircraft operations to one end of the terminal, effectively shutting down more than half of the terminal and saving significantly on maintenance, cleaning and utilities cost for the first half of the year;
- Focussed on corporate relationships including airlines, tenants and third-party suppliers;
- Restructured lease agreements with tenants materially, adversely impacted by COVID-19; and
- Focussed on disciplined growth and restart of operations.

The impact of COVID-19 extends beyond aeronautical activities into the retail, property and car parking revenue streams. COVID-19 has impacted the financial report in various ways:

- Rental abatements and deferrals were provided to impacted retailers and tenants to support them through the significant disruption caused by COVID-19 and underpin a long-term pipeline of retail revenue;
- The Group continued to receive Government assistance through JobKeeper for employees. Over the nine months from July 2020 to March 2021, the Group recognised $3.8 million in government assistance for employees. This has been recognised as an offset to employee benefits expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021.

During the preparation of the financial statements at 30 June 2021, the Group was required to make several estimates and judgements. Forward-looking information (referred to in the Financial Statements as Critical Accounting Estimates and Judgements) is based on a variety of assumptions and subject to risks and uncertainties. There is a risk that predictions, forecasts, conclusions and projections, which constitute forward-looking information, may not match the actual outcome. To capture the increased risk and uncertainty, various scenarios have been used. The scenarios consider a range of possible outcomes including ongoing border closures and the risk of new variants and fresh waves of COVID-19 infections. While there continues to be short term uncertainty in the passenger forecasts, the Group believes that the pandemic will not have a material impact on the long-term financial sustainability of the Group. The strong market position and diversification of the business has assisted with forming this conclusion. Specifically, the robustness of the investment property portfolio has provided a strong commercial property valuation and cash-flows with industrial properties supported by high quality tenants with long leases, including government agencies and essential services.

A measure of the Group's ability to service its indebtedness is its ability to comply with certain covenant requirements. The recovery trajectory will be dependent on government regulations and response to vaccination rates and will have an impact on the Group's recovery and its ability to maintain above the default covenant thresholds. Current forecasts indicate sufficient capacity to avoid this. A strong relationship with investors is being maintained and if passenger volumes and associated revenues are sufficiently lower than anticipated or modelled in scenarios, the process of seeking covenant waivers would be commenced.

Review of operations

The Group's full year earnings before interest, taxes, depreciation and amortisation (EBITDA) excluding changes in fair value of investment properties was down 38.9%. Total passengers during the year decreased by 53.9% against prior year due to COVID-19 related travel restrictions. Passenger recovery as a percentage of benchmark FY19 volumes increased from 9.6% in July to a high of 65.5% in April 2021, largely due to the removal of domestic border restrictions and strong regional traffic recovery.

The statutory loss after adjusting profit from ordinary activities for the impact of the fair value movement in investment property was a loss of $18.744 million (2020: a profit of $16.096 million).

The reduced activity had a material negative impact on the Group's business and results of operations, including aeronautical and commercial revenue, with revenue dropping by 41.1% compared to the prior year. The financial results of the Group reflected the impact of international and domestic travel restrictions along with the Group's continued cost discipline. The profit from ordinary activities also included fair value gain through the profit or loss on certain financial assets and libabilities. Most significantly this included a fair value gain on investment properties. Statutory profit adjusted for the investment property fair value movement and consequential tax impacts was as follows:

	30 June 2021 $'000	30 June 2020 $'000
Profit after tax	**18,263**	21,356
Less:		
Changes in fair value of investment properties (net of tax)	**(37,007)**	(5,260)
(Loss)/Profit before tax (before investment property revaluation)	**(18,744)**	16,096

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Matters subsequent to the end of the financial year

(a) Further Government actions in response to COVID-19 pandemic:

Various Australian State Governments have reimposed restrictions on interstate travel or imposed expanded localised lockdowns. At the date of signing this report, South Australia's (SA) hard border closure remains in a number of States and Territories.

Likely developments and expected results of operations

The Group will continue to pursue its long-term objectives consistent with the Adelaide and Parafield Airport Masterplan.

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

* Note: The Aeronautical & Related Infrastructure Committee changed to the Infrastructure Committee and the Property Development Committee changed to the Property, People and Customer Committee on 29 September 2020.

Alan Mulgrew, **B.A., 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. Alan resigned as a Director on 25 August 2020.
Other directorships and positions	Alan is currently a non-executive director of Queensland Airports Limited, Interflour Group and Cooperative Bulk Handling Group and is an advisory panel member for First Sentier Investors (formerly Colonial First State Global Asset Management) and infrastructure advisor for Perron Investments. He was formerly the Chair of Tourism Western Australia, Western Power and Western Carbon Pty Ltd. Alan has also served as Chair 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 Committee Member of the Remuneration Committee

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Information on directors (continued)

Alison Webster, *Director*	
Experience and expertise	Alison was appointed on 25 August 2020 as an independent non-executive director. Alison has over 25 years senior executive experience across airlines, global freight and supply chain logistics and multi-site catering operations. Alison was most recently the Chief Executive Officer of Qantas International Airways and has held previous Executive General Manager roles for the Qantas Group in the Qantas Global Freight Division, Qantas Catering Group and Australian Airports, Customer Experience and Head of Cabin Crew. Alison has also worked in a Senior Management role for British Airways and has held a directorship for Holiday Tours and Travel Pte. Ltd. Singapore. Alison resigned as a Director on 30 November 2020 to accept a role at Western Sydney Airport.
Other directorships and positions	Alison has completed a Strategic Finance Program and an Innovation Program at Harvard Business School.
Special responsibilities	Member of the Board Member of the Property, People and Customer Committee Member of the Infrastructure 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 First Sentier Investors as trustee of the Global Diversified Infrastructure Fund. Chris is Co-Head of Infrastructure Investments, Australia with First Sentier Investors and a member of the global fund Investment Committee. He is responsible for the origination, execution and asset management of unlisted infrastructure investments, with sector experience across transportation and infrastructure businesses globally. In prior roles, Chris was Head of the Commercial Division of Pacific National, the former Toll/Patrick joint venture and Australia's largest private rail group. He held senior management positions with Qantas in Sydney and London in strategic and operating roles, including as head of QantasLink regional airlines. Chris has a Bachelor of Engineering from the University of Melbourne where he also holds an MBA from the Melbourne Business School. He is a Fellow of the Australian Institute of Company Directors.
Other directorships and positions	Chris is a current Director of Brisbane Airport, Vice-Chairman of US-based Patriot Rail & Ports, a former Director of Perth Airport and UK-based utility Inexus Group, and former Chairman of Airports Coordination Australia Ltd.
Special responsibilities	Member of the Audit and Compliance Committee Member of the Property, People and Customer Committee Member of the Infrastructure Committee

Information on directors (continued)

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. He has over 40 years' experience in the property development and construction industry around Australia and overseas, across a broad range of property asset classes. He has occupied Chief Operating Officer roles with high profile national ASX listed companies including Jennings Group and Stockland.
Other directorships and positions	Jay is currently Chair of Mercure Kangaroo Island Lodge, Bremerton Vintners and Sevenhill Wines and is the former Chair of the Urban Construct Development Group. Jay has been a member of numerous boards, joint ventures and Government Advisory Committees including the Natural Resource Council of Australia and Chair of the Urban and Regional Development Advisory Committee to Government. He was previously Chair of the Land Management Corporation, Chair of the South Australian Housing Trust, Chair of the Torrens Catchment Water Board, Deputy Chair of Homestart Finance and a Past President of the Urban Development Institute of Australia. In 1998 Jay was awarded Life Member of the Urban Development Institute of Australia in recognition of his contribution and services to the development industry and leadership in Urban Sustainability.
Special responsibilities	Chair of the Infrastructure Committee Member of the Property, People and Customer Committee Member of the Remuneration 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 Limited. Jane has almost 40 years experience as a finance executive. For the last 20 years she has been a non-executive director on numerous boards in a variety of industries, and a consultant in governance, business strategy and risk. Prior to that she was the finance director of a listed technology solutions company and worked for one of the major Chartered Accounting firms in San Francisco, London and Melbourne. Jane has a Master 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 ANZ South Australia and is a Director of the Art Gallery of South Australia and Central Adelaide Local Health Network.
Special responsibilities	Chair of the Audit & Compliance Committee Member of the Property, People and Customer Committee Member of the Infrastructure Committee

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Information on directors (continued)

John Frederick Ward, B.Sc., FAICD, 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. John 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, People and Customer Committee Member of the Infrastructure Committee

Lisa Brock, BSc (Hons), MAppFin, ACA, MAICD *Director*	
Experience and expertise	Lisa was appointed to the Board as an independent Non-Executive Director on 25 May 2021. Lisa has over 20 years senior executive experience with Qantas across a broad range of roles including Executive Manager Qantas Freight, Chief Commercial Officer Jetstar and more recently as Executive Manager Commercial Airports and Procurement. Lisa has held a number of other aviation and freight board roles including for Jetstar Pacific, StarTrack Express and Australian Air Express.
Other directorships and positions	Lisa has a Masters of Applied Finance at Macquarie University, is a Chartered Accountant in England and Wales and holds an Honours Degree in Maths and Sport Science at the University of Birmingham.
Special responsibilities	Member of the Board Member of the Property, People and Customer Committee Member of the Infrastructure Committee

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Information on directors (continued)

Mark Dennis Young, B.Ec., CA, FCPA, FAICD, 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 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, a member of the Chartered Accountants ANZ 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 former non-executive director of the South Australian Tourism Commission.
Special responsibilities	Managing Director Member of the Property, People and Customer Committee Member of the Infrastructure Committee

Michael Bryan Gorman, B.Sc. (Arch), B.Arch., MBA, AMP *Director*	
Experience and expertise	Michael was appointed on 5 December 2017 as a non-executive director nominated by UniSuper Ltd. Michael has experience in both real estate and public equity and debt markets. He has held roles as Chief Investment Officer and Deputy Chief Executive Officer of a significant Australian Real Estate Investment Trust. Michael's experience extends beyond the investment in real estate to the master planning, management and development of large public property assets, including shopping complexes, as well as monitoring the ongoing management of retail environments to optimise the customer experience. Michael holds a Bachelor of Science (Architecture) from the University of New South Wales, a Bachelor of Architecture awarded with First Class Honours and University Medal from the University of New South Wales, a Masters of Business Administration from the Australian Graduate School of Management and completed the Advanced Management Programme at INSEAD.
Other directorships and positions	Michael is a non-executive director of both Charter Hall Retail Management Limited and GPT Funds Management Limited. He is also a Fellow of the Australian Property Institute and the Royal Society of Arts.
Special responsibilities	Chair of the Property, People and Customer Committee Member of the Infrastructure Committee Member of the Remuneration Committee

Information on directors (continued)

Robert (Rob) Ian Chapman, **AssocDipBus, FAICD, FFSIA** *Chair*	
Experience and expertise	Rob was appointed to the Board as Chair 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 Senior Fellow of the 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: Barossa Infrastructure Ltd (Chair), T-Ports (Chair), Chapman Capital Partners (Chair), ZeroCo (Chair), Coopers Brewery Limited (Director), EFA (Director), ICAM Funds (Director), AFL Max (Director) and is the former Chair of BankSA and the Adelaide Football Club.
Special responsibilities	Chair of the Board Member of the Property, People and Customer Committee Member of the 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 First Sentier Investors (formerly Colonial First State Global Asset Management). 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 been involved in the investment, management and divestment of infrastructure assets, as well as portfolio management since 2000. Alan was also actively involved in the establishment and growth of First Sentier Investors flagship infrastructure funds in Australia.
Other directorships and positions	Alan is a director of Water Utilities Australia, International Parking Group and a Waste Company. Alan is also an alternate director for Brisbane Airport. He has previously served as a director of Bankstown and Camden Airports.

Information on directors (continued)

Kent Ian Robbins, **B.Bus (Property), AAPI, GAICD** *Alternate Director*	
Experience and expertise	Kent was appointed as an alternate director to John Ward in March 2011, Jane Yuile in August 2016 and Michael Gorman in February 2018. Kent is the Head of Property and Infrastructure for UniSuper which is Australia's only industry super fund dedicated to the higher education and research professionals. UniSuper has over 450,000 members and has over $80B in funds under management. Kent has nearly 30 years' experience in the finance industry, predominantly in superannuation funds management. Kent joined UniSuper in November 2009, and is responsible for the Fund's Property, infrastructure and Private Equity portfolios. Kent is an Associate of the Australian Property Institute and Member of the Australian Institute of Company Directors.
Other directorships and positions	Kent is a current director of AquaSure (Victoria's Desalination Plant) and Plenary Health (Victorian Comprehensive Cancer Centre).

Information on company secretaries

Brenton Cox, **LLM (Cantab), LLB (Hons), GDLP, B.Com. (Acc), B.Fin.** *Company Secretary*	
Experience and expertise	Brenton joined Adelaide Airport in 2013 and is currently responsible for the Chief Financial Officer, Corporate Affairs, General Counsel and Company Secretary, Aviation Business Development, Environment, Sustainability, Community, Risk and Work Health & Safety functions. Brenton has airport Board experience as a non-executive director of Sydney Airport and Hobart Airport and executive experience with Sydney Airport, Macquarie Airports in Sydney and Macquarie Capital in London where he had a particular focus on European Airports. Brenton's early career was as a commercial lawyer for Fisher Jeffries (now Dentons). He 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 a Director of Seymour College (Chair of the Audit and Risk Committee) and a Councillor of the Property Council of South Australia and Freight Council of South Australia.

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Information on company secretaries (continued)

Alicia Bickmore, **LLB (Hons), GDLP, B.BehavSc. (Psych), LLM (Applied Law), GAICD** *Company Secretary*	
Experience and expertise	Alicia is Adelaide Airport's Legal and Corporate Affairs Manager and was appointed Company Secretary in February 2017 after joining Adelaide Airport in July 2015. 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. Alicia was listed as a leading Australian In-House Property and Real Estate lawyer in the Doyle's Guide 2019.
Other directorships and positions	Alicia is a current committee member of the Adelaide Football Club Professional Standards and Integrity Committee and a past president and current committee member of the Association of Corporate Counsel Australia (SA Division).

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 2021, and the numbers of meetings attended by each Director were:

		Meetings of committees			
	Full meetings of directors	Audit and Compliance Committee	Remuneration Committee	Property, People and Customer Committee*	Infrastructure Committee*
	Attended/Held	**Attended/Held**	**Attended/Held**	**Attended/Held**	**Attended/Held**
Alan James Mulgrew	5 of 5	n/a	n/a	2 of 2	2 of 2
Christopher John McArthur	13 of 13	5 of 5	n/a	10 of 10	10 of 10
James Brendan Hogan	13 of 13	5 of 5	3 of 3	10 of 10	10 of 10
Jane Yuile	12 of 13	5 of 5	n/a	10 of 10	10 of 10
John Frederick Ward	13 of 13	5 of 5	3 of 3	10 of 10	10 of 10
Mark Dennis Young	13 of 13	5 of 5	3 of 3	10 of 10	10 of 10
Michael Bryan Gorman	13 of 13	5 of 5	3 of 3	10 of 10	10 of 10
Robert Ian Chapman	13 of 13	5 of 5	3 of 3	10 of 10	10 of 10
Alison Webster	2 of 2	n/a	n/a	2 of 2	2 of 2
Lisa Brock	1 of 1	n/a	1 of 1	1 of 1	1 of 1
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

*The Property Development Committee name was changed to Property, People and Customer Committee from 29 September 2020 onwards.

*The Aeronautical & Related Infrastructure Development Committee name was changed to Infrastructure Committee from 29 September 2020 onwards.

** Alternate Directors

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 53.

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 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.

Jane Elizabeth Yuile
Director

Mark Dennis Young
Director

Adelaide
28 September 2021

Adelaide Airport Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Notes	Consolidated 30 June 2021 $'000	30 June 2020 $'000
Revenue from continuing operations	5	**115,726**	196,355
Changes in fair value of investment properties	9	**52,867**	7,514
Other income		**175**	621
Employee benefits expense		**(12,955)**	(13,890)
Services & utilities		**(29,334)**	(45,875)
Consultants & advisors		**(1,714)**	(3,240)
General administration		**(4,471)**	(6,897)
Reversal of expected credit loss		**3,513**	-
Expected credit loss expense		**(97)**	(11,769)
Leasing & maintenance		**(2,998)**	(4,373)
Gain/(Loss) on disposal of property, plant & equipment		**(46)**	14
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**120,666**	118,460
Interest income	16	**464**	834
Finance costs	16	**(70,633)**	(62,702)
Depreciation & amortisation	8, 10, 11	**(27,539)**	(24,662)
Impairment of property, plant & equipment	8	**25**	69
Changes in fair value of financial instruments		**3,111**	(1,464)
Profit before income tax		**26,094**	30,535
Income tax expense	6	**(7,831)**	(9,179)
Profit for the year		**18,263**	21,356
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	**22,881**	(13,687)
Changes in the fair value of foreign currency basis spread reserve, net of tax	18	**1,239**	1,419
Items that will not be reclassified to profit or loss			
Gain/(Loss) on revaluation of land and buildings, net of tax	18	**1,634**	(286)
Other comprehensive income/(loss) for the year, net of tax		**25,754**	(12,554)
Total comprehensive income for the year		**44,017**	8,802

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Adelaide Airport Limited
Consolidated balance sheet
As at 30 June 2021

	Notes	Consolidated 30 June 2021 $'000	30 June 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**76,453**	145,514
Trade and other receivables	13	**17,954**	20,031
Derivative financial instruments	17	**4,429**	5,129
Total current assets		**98,836**	170,674
Non-current assets			
Derivative financial instruments	17	**33,509**	117,940
Property, plant and equipment	8	**528,122**	512,950
Investment properties	9	**517,441**	448,663
Intangible assets	10	**184,313**	184,945
Capitalised lease - operational land	11	**113,863**	115,424
Total non-current assets		**1,377,248**	1,379,922
Total assets		**1,476,084**	1,550,596
LIABILITIES			
Current liabilities			
Trade and other payables	14	**54,246**	37,257
Derivative financial instruments	17	**2,254**	700
Current tax liabilities		**-**	-
Franking deficit tax liabilities		**-**	6,385
Provisions	24	**4,930**	3,457
Deferred revenue		**1,151**	1,023
Total current liabilities		**62,581**	48,822
Non-current liabilities			
Borrowings	15	**1,204,296**	1,337,328
Deferred tax liabilities	7	**125,568**	106,700
Provisions	24	**1,237**	1,792
Derivative financial instruments	17	**22,770**	40,323
Deferred income		**926**	942
Total non-current liabilities		**1,354,797**	1,487,085
Total liabilities		**1,417,378**	1,535,907
Net assets		**58,706**	14,689
EQUITY			
Contributed equity		**1,905**	1,905
Other reserves	18	**(39,157)**	(64,911)
Retained earnings		**95,958**	77,695
Total equity		**58,706**	14,689

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 2021

		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 2019		1,905	(52,357)	76,339	25,887
Profit for the year		-	-	21,356	21,356
Other comprehensive (loss)	18	-	(12,554)	-	(12,554)
Total comprehensive income for the year		**-**	**(12,554)**	**21,356**	**8,802**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	19	-	-	(20,000)	(20,000)
Balance at 30 June 2020		**1,905**	**(64,911)**	**77,695**	**14,689**
Balance at 1 July 2020		1,905	(64,911)	77,695	14,689
Profit for the year		-	-	18,263	18,263
Other comprehensive income	18	-	25,754	-	25,754
Total comprehensive income for the year		**-**	**25,754**	**18,263**	**44,017**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	19	-	-	-	-
Balance at 30 June 2021		**1,905**	**(39,157)**	**95,958**	**58,706**

[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 2021

	Notes	Consolidated 30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**133,605**	223,276
Payments to suppliers and employees (inclusive of GST)		**(63,422)**	(93,623)
		70,183	129,653
Interest paid		**(25,767)**	(44,753)
Income taxes paid		**(5,655)**	(2,835)
RPS dividend		**-**	(10,872)
Interest received		**511**	886
Net cash inflow from operating activities	12	**39,272**	72,079
Cash flows from investing activities			
Payments for property, plant and equipment and investment properties		**(58,354)**	(109,354)
Proceeds from sale of property, plant and equipment		**21**	22
Payments for other non-current assets		**-**	(623)
Net cash (outflow) from investing activities		**(58,333)**	(109,955)
Cash flows from financing activities			
Early termination of swaps		**-**	(68,648)
Cross currency swaps overlay		**-**	55,660
Proceeds from borrowings		**-**	155,000
Repayment of borrowings		**(50,000)**	-
Dividends paid to company's shareholders	19	**-**	(20,000)
Net cash inflow/(outflow) from financing activities		**(50,000)**	122,012
Net increase/(decrease) in cash and cash equivalents		**(69,061)**	84,136
Cash and cash equivalents at the beginning of the financial year		**145,514**	61,378
Cash and cash equivalents at the end of the year	12	**76,453**	145,514

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

Adelaide Airport Limited
Notes to the financial statements
30 June 2021

BASIS OF PREPARATION

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.

(a) 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).

(b) 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 US dollar debt hedged by cross-currency interest rate swaps and investment property at fair value).

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis that requires directors to have reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

At 30 June 2021, the Group was in a net asset position of $58.706 million (2020: $14.689 million). The Directors have reviewed the cash flow projections factoring in the impact of the COVID-19 pandemic on the Group covering a period of at least 12 months after reporting date. This takes into account forecast revenue, operating cash flows, forecast capital expenditure and the Group's liquidity position.

At the present time, management continues to assess that the COVID-19 pandemic will not impact the Group's ability to remain solvent or to continue to operate as a going concern and the Group expects to remain compliant with its covenant requirements. The going concern assessment has been undertaken using a number of scenarios. The assessment particularly focuses on liquidity and financial covenant restrictions. The Group does not expect to default on financial covenants within 12 months after reporting date. The below factors have assisted the Group in forming this conclusion:

- Scenario modelling - a range of sensitivities and scenarios were modelled to assess the impact on financial covenants. Even with no improvement on the FY21 passenger numbers, the cash flow forecasts project significant headroom. A pessimistic scenario that assumes no further border openings for the calendar year does not forecast a breach of financial covenants.
- The Group's Interest Coverage Ratio of 2.59x at 30 June 2021 was ahead of the 1.1x default metric.
- With zero traffic and maintaining property revenue at the same levels the Group has sufficient liquidity until the next debt maturity in May 2023 without restructuring.
- Alignment of cost base to reduced business activity - a strong focus on operating expense reduction has been embedded across the business.
- The robustness of the investment property portfolio has and will continue to provide a stable revenue stream, particularly with industrial properties supported by high quality tenants with long leases.

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 2021 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 amounts 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)
- Recognition of deferred tax assets for carried forward tax losses (note 7)

Fair value measurement hierarchy

In fair value measurement, the Group uses the following fair value measurements hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using inputs that are not based on observable market data (unobservable inputs).

The Group has considered the impact of the COVID-19 pandemic on key estimates and judgements used in these financial statements, including:

- Recognition of retail and commercial abatements (note 5)
- Impairment of property, plant and equipment (note 8)
- Provision for expected credit losses (note 13)

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION

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 2021 $'000	30 June 2020 $'000
From continuing operations		
Sales revenue		
Aeronautical revenue	**40,605**	93,349
Commercial trading revenue	**9,035**	25,080
Property revenue	**52,368**	53,043
Car parking revenue	**11,720**	22,190
Other revenue	**1,998**	2,693
	115,726	196,355

(a) Revenue recognition

AASB 16 Leases replaces AASB 117 Leases and related Interpretations and is applicable for the first time for entities with an annual reporting period beginning on or after 1 January 2019. When applying the new Standard, the Group reviewed leases where the Group is the lessor and has concluded that these will remain as operating leases. Application of this Standard by the Group has not materially affected any of the amounts recognised in these financial statements. However, the impact of COVID-19 has resulted in the Group providing rent abatements to tenants which have been considered below.

The Group continues to provide abatements to retailers, aeronautical and property tenants significantly affected by COVID-19. During the year, the Group recognised $19.3 million of abatements as a reduction to revenue. These abatements were consistent with expectations and were factored into impairment and investment proeprties fair value assessment at 30 June 2021.

(a) Revenue recognition (continued)

Revenue Stream	Nature	Recognition
Aeronautical revenue	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. Rebates are provided in line with terms of contracts with airlines and are generally based on Maximum Take Off Weight (MTOW) of aircraft or passenger numbers. Revenues from passenger charges are therefore variable consideration and estimated monthly. Variable revenue is only recognised when it is highly probable the revenues will not reverse.
Commercial trading revenue	Commercial trading revenue is comprised of rental income from car rental and 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. These contracts contain lease components and are recorded in line with AASB 16.
Property revenue	Property revenue is comprised of rental and outgoings from airport terminals, buildings and other leased areas.	Revenue is accounted for on a straight line basis over the lease term. These contracts contain lease components and are recorded in line with AASB 16.
Car parking	Car parking revenue is generated from passengers and staff for the provision of car parking.	Revenue is recognised over the period of time the car parking service is provided.

TAXATION

6. Income tax expense

	30 June 2021 $'000	30 June 2020 $'000
Current tax on (loss) for the year	**(4,332)**	(5,954)
Adjustments for current tax of prior periods	**1,687**	(1,268)
	(2,645)	(7,222)
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	**(4,137)**	(21,675)
Increase in deferred tax liabilities	**14,613**	38,076
	10,476	16,401
Income tax expense	**7,831**	9,179

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 or 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 2021 $'000	30 June 2020 $'000
Profit from continuing operations before income tax expense	**26,094**	30,535
Tax at the Australian tax rate of 30.0% (2020: 30.0%)	**7,828**	9,161
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expense	**3**	18
Under/(over provided) in prior years balance	**-**	-
Income tax expense	**7,831**	9,179

(b) Amounts recognised directly in equity

	30 June 2021 $'000	30 June 2020 $'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	**10,337**	(5,257)
Deferred tax: Revaluation gain on transfer to investment properties	**700**	(123)
	11,037	(5,380)

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:

- initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (other than in a business combination); and
- 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. The Group’s planning case informed the judgement around the recognition and recoverability of a net deferred tax asset relating to income tax losses. The Group expects to be able to recover these losses against taxable income over the following three to four years.

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.

Adelaide Airport Limited
Notes to the financial statements
30 June 2021

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
As at 30 June				
Investment property revaluations*	**-**	-	**(139,398)**	(100,259)
Capitalised lease - operational land	**-**	-	**(34,159)**	(34,627)
Property, plant and equipment	**17,059**	-	**-**	(8,021)
Intangible assets	**-**	-	**(1,471)**	(1,660)
Accrued revenue and expenses	**-**	250	**(228)**	-
Cash flow hedges	**26,043**	33,757	**-**	-
Fair value hedges	**-**	-	**(13,670)**	(27,351)
Hedges	**-**	-	**(13,507)**	(15,901)
Borrowings	**15,112**	28,201	**-**	-
Provisions	**2,683**	5,586	**-**	-
Other	**278**	281	**-**	-
Franking deficit tax	**-**	6,385	**-**	-
Tax value of recognised tax losses	**15,690**	6,659	**-**	-
Recognised deferred tax assets/liabilities	**76,865**	81,119	**(202,433)**	(187,819)
Set-off of deferred tax assets	**(76,865)**	(81,119)	**76,865**	81,119
Net deferred tax liabilities	**-**	-	**(125,568)**	(106,700)

* 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	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Opening balance at 1 July	**81,120**	41,020	**(187,819)**	(149,743)
Recognised in profit & loss	**4,138**	21,675	**(14,614)**	(38,076)
Recognised in equity	**(11,038)**	5,380	**-**	-
Franking deficit tax	**(6,385)**	6,385	**-**	-
Tax value of recognised tax losses	**9,030**	6,659	**-**	-
Closing balance at 30 June	**76,865**	81,119	**(202,433)**	(187,819)

CAPITAL EXPENDITURE AND INVESTMENT PROPERTIES

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 capitalised lease – operational land.

8. Property, plant and equipment

	Capital works 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 2020				
Opening net book amount	74,983	304,879	48,929	428,791
Additions	106,556	-	-	106,556
Transfers to/from CWIP	(98,445)	96,500	1,945	-
Disposals	-	-	(8)	(8)
Depreciation charge	-	(14,078)	(8,380)	(22,458)
Impairment loss (b)	-	-	69	69
Closing net book amount	83,094	387,301	42,555	512,950
At 30 June 2020				
Cost or fair value	83,094	548,069	146,145	777,308
Accumulated depreciation	-	(160,768)	(103,590)	(264,358)
Net book amount	83,094	387,301	42,555	512,950
Year ended 30 June 2021				
Opening net book amount	83,094	387,301	42,555	512,950
Additions	40,591	-	-	40,591
Transfers to/from CWIP	(73,055)	66,484	6,571	-
Disposals	-	-	(9)	(9)
Depreciation charge	-	(17,630)	(7,805)	(25,435)
Impairment loss (b)	-	21	4	25
Closing net book amount	50,630	436,176	41,316	528,122
At 30 June 2021				
Cost or fair value	50,630	614,575	152,412	817,617
Accumulated depreciation	-	(178,399)	(111,096)	(289,495)
Net book amount	50,630	436,176	41,316	528,122

(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 that 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 expensed 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 - cash generating units (CGU). The Group continues to assess Parafield Airport and Adelaide Airport as separate CGUs.

COVID-19 has caused a significant decline in passenger volumes, disruption to retailers and the uncertain global economic activity was considered a triggering event. Based on this further impairment testing was conducted at 30 June 2020 to assess recoverability of non-financial assets was required.The Group assessed the recoverable amount for Adelaide Airport, which comprises of all assets within the CGU, excluding investment property assets based on a value use model. The Group adopted an expected cash flow model with probability weighted cash flow projections. At this time, the calculation of the recoverable amount exceeded the carrying amount of the Group's property, plant and equipment. Since the date of testing, the Group has outperformed passenger forecast and cash flows assumed in the 30 June 2020 impairment testing.

The Group also considered its enterprise market valuation and the long-term nature of its assets and concluded that there is no impairment at the Adelaide Airport cash-generating unit level.

The Group has assessed that there were no indicators of impairment of non-financial assets at 30 June 2021.

Following management's review of the capital expenditure and the re-prioritisation exercise to ensure the Group was well positioned to continue delivering critical projects, an assessment of the recoverable value of the capital works in progress was made. During the year ended 30 June 2021, the Group recognised an impairment of $0.5 million in respect of certain capital works in progress (2020: $0.4 million).

(c) Capital expenditure commitments

At reporting date, the Group had capital expenditure commitments of $26.651 million (2020: $46.116 million). The capital expenditure commitments included contractual amounts relating to the Terminal expansion construction expected to be incurred over 2021-2022.

9. Investment properties

	30 June 2021 $'000	30 June 2020 $'000
Investment properties movements		
At fair value		
Opening balance 1 July	**448,663**	435,684
Capitalised subsequent expenditure	**13,548**	5,369
Disposals	**(55)**	-
Net gain from fair value adjustments	**52,867**	7,514
Reclassification from investment to operating use	**-**	(389)
Reclassification from operating to investment	**2,418**	485
	517,441	448,663

(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 2021 represents the final 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.

Adelaide Airport Limited
Notes to the financial statements
30 June 2021

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

The Group's overall investment property portfolio value has remained strong despite COVID-19. The investment properties exclude owner-occupied or operational purposes. Therefore, the terminal retail properties which have been the most affected because of the dramatic fall-off in foot traffic, tenant closure and rent abatement packages have not been included in the valuation. Rather the valuation includes industrial and commercial properties which are supported by high quality tenants with long leases, including government agencies and essential services.

(c) Leasing arrangements

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

	30 June 2021 $'000	30 June 2020 $'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	**34,409**	32,863
Later than one year but not later than 5 years	**143,811**	135,800
Later than five years	**200,968**	189,513
	379,188	358,176

Adelaide Airport Limited
Notes to the financial statements
30 June 2021

10. Intangible assets

	Goodwill $'000	Master plan costs $'000	Property leases $'000	Total $'000
Useful life (years)	Indefinite	8	Balance of lease term	
Year ended 30 June 2020				
Opening net book amount	179,410	741	2,833	182,984
Additions	-	2,663	-	2,663
Amortisation charge	-	(532)	(170)	(702)
Closing net book amount	179,410	2,872	2,663	184,945
At 30 June 2020				
Cost	179,410	6,187	20,853	206,450
Accumulated amortisation and impairment	-	(3,315)	(18,190)	(21,505)
Net book amount	179,410	2,872	2,663	184,945
Year ended 30 June 2021				
Opening net book amount	179,410	2,872	2,663	184,945
Additions	-	(5)	-	(5)
Amortisation charge	-	(457)	(170)	(627)
Closing net book amount	179,410	2,410	2,493	184,313
At 30 June 2021				
Cost	179,410	6,182	20,853	206,445
Accumulated amortisation and impairment	-	(3,772)	(18,360)	(22,132)
Net book amount	179,410	2,410	2,493	184,313

(a) Nature

Intangible asset	Nature
Goodwill	Goodwill on acquisition of the operating leases predominantly for Adelaide Airport.
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 8 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. As described in note 8(b), for the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (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 2021 no intangible assets were impaired (30 June 2020: 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 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, the Group 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.

As described in Going Concern (note 1(c)), the Group undertook a corporate valuation at 30 June 2021. The valuation includes assumptions regarding passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to the valuation methodology. The result of the updated valuation indicated that significant headroom remains and hence no impairment was required. An independent valuation of the Group's equity value at 30 June 2021 supports the net asset position, including the carrying value of goodwill.

11. Capitalised lease – operational land

	30 June 2021 $'000	30 June 2020 $'000
Capitalised lease - operational land movements		
Opening balance 1 July	**115,424**	117,431
Revaluation gain on transfer to investment properties	**2,334**	(409)
Reclassification from operating to investment	**(2,418)**	(485)
Reclassification from investment to operating	**-**	389
Amortisation	**(1,477)**	(1,502)
	113,863	115,424

(a) Nature

The Group operates Adelaide Airport under a lease granted by the Commonwealth Government for an initial period of 50 years commencing 29 May 1998 with a free option exercisable at the Group's discretion, to extend for a further 49 years.

(b) Recognition and measurement

The lease is a right-of-use asset and recognised at the original (May 1998) valuation of the land that still remains operational. The lease amount is amortised on a straight-line basis over the term of the lease. The lease was prepaid in May 1998 and hence no corresponding lease liability.

(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 capitalised lease – operational land.

WORKING CAPITAL MANAGEMENT

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 2021 $'000	30 June 2020 $'000
Cash at bank and in hand	**74,362**	143,424
Distribution account	**2,091**	2,090
	76,453	145,514

Cash and cash equivalents include cash on hand and short-term deposits held with major Australian 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.

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

	30 June 2021 $'000	30 June 2020 $'000
Profit for the year	**18,263**	21,356
Depreciation of property plant and equipment	**25,435**	22,458
Amortisation of intangible assets	**627**	702
Amortisation of borrowing costs	**24,975**	3,756
Amortisation of capitalised lease - operational land	**1,477**	1,502
RPS redemption premium	**191**	191
Loss on fair value hedges	**(3,111)**	1,464
Net (gain)/loss on sale of assets	**46**	(14)
Fair value adjustment to investment property	**(52,867)**	(7,514)
Impairment of assets	**(25)**	(69)
Borrowing costs paid	**(1,496)**	(1,339)
Capitalisation of borrowing costs	**(742)**	(5,191)
Movements in current and deferred tax assets and liabilities	**12,484**	965
Deferred tax movements recognised in equity	**(11,037)**	5,380
Decrease/(Increase) in trade debtors and accrued income	**1,874**	18,235
Decrease in prepayments	**203**	265
Increase in trade creditors	**22,975**	9,932
Net cash inflow from operating activities	**39,272**	72,079

13. Trade and other receivables

	30 June 2021 $'000	30 June 2020 $'000
Current receivables		
Net trade receivables		
Trade debtors	**11,844**	24,926
Allowance for expected credit loss	**(247)**	(14,371)
	11,597	10,555
Other receivables		
Accrued revenue	**5,256**	8,172
Prepayments	**1,101**	1,304
	6,357	9,476
Total current receivables	**17,954**	20,031

(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.

The Group recognised an allowance for expected credit losses against its aeronautical and commercial customers as at 30 June 2021. The allowance is based on a simplified impairment provision as permitted by AASB 9. This requires that expected lifetime losses be recognised from initial recognition of all financial assets. The Group assessed expected credit losses based on customer groupings (such as aeronautical, property or retail) using a provision matrix with reference to past default experience and interactions since the emergence of COVID-19. The assessment adopted a higher risk to customers in voluntary administration and retail and airline customers who are most affected by border closures (specifically provided for above). A lower risk is attached to stable property tenants such as Government agencies and essential services. It has been determined that the impact of this assessment does not have a material effect on the financial report.

14. Trade and other payables

	30 June 2021 $'000	30 June 2020 $'000
Current liabilities		
Trade payables	**5,427**	4,575
Interest payables	**42,035**	20,097
Other payables	**6,648**	12,456
Retentions and deposits	**136**	129
	54,246	37,257

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.

FUNDING AND RISK MANAGEMENT

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 2021 $'000	30 June 2020 $'000
Non-current liabilities		
Secured		
Medium Term Notes	**199,227**	199,029
Bilateral banking facility	**103,585**	103,647
US Bonds	**711,900**	795,336
ESG Loan	**(254)**	49,689
Total secured non-current borrowings	**1,014,458**	1,147,701
Redeemable preference shares	**189,838**	189,627
Total non-current borrowings	**1,204,296**	1,337,328

(a) Recognition and measurement

With the exception of US Bonds, borrowings are recognised initially at fair value less attributable transaction costs and are subsequently stated at amortised cost. Any difference between cost and redemption value (i.e. transaction costs) is recognised in profit or loss over the period of the borrowings on an effective interest basis.

Where the Group applies fair value hedges to borrowings, the carrying value of the borrowings are adjusted for fair value changes. US dollar debt is hedged by cross-currency interest rate swaps and is recognised at fair value.

Establishment costs incurred in connection with the arrangement of borrowings are capitalised and recognised on an effective interest basis over the anticipated term of the applicable borrowings.

(b) Secured liabilities and assets pledged as security

The balances and other details related to the Group's borrowings as at 30 June 2021 are presented in the following table:

	Financial Year of Maturity	2021 Drawn Amount $'000	2021 Carrying Amount $'000	2021 Limit $'000	2020 Drawn Amount $'000	2020 Carrying Amount $'000	2020 Limit $'000
Medium Term Notes							
BBSW + margin	2025	200,000	199,227	200,000	200,000	199,029	200,000
Bilateral Banking Facility							
BBSY + margin	2024	105,000	104,481	105,000	105,000	104,247	105,000
BBSY + margin	2023		(896)	200,000		(600)	150,000
ESG Loan							
BBSW + margin based on AAL's ESG rating	2026	-	(254)	50,000	50,000	49,689	50,000
US Bonds - AUD							
Fixed at 5.39%	2026	25,000	24,847	25,000	25,000	24,831	25,000
BBSW + Margin	2031	25,000	24,847	25,000	25,000	24,831	25,000
Fixed at 5.043%	2044	140,000	139,070	140,000	140,000	138,963	140,000
US Bonds - USD							
Fixed at 3.73%	2026	118,016	111,790	118,016	118,016	124,778	118,016
Fixed at 3.83%	2028	133,020	143,929	133,020	133,020	163,748	133,020
Fixed at 3.98%	2031	101,008	110,032	101,008	101,008	126,938	101,008
Fixed at 4.39%	2034	137,627	157,385	137,627	137,627	191,247	137,627
Redeemable Preference Shares*							
Fixed 11.5%	2024	188,563	189,838	188,563	188,563	189,627	188,563
Total		**1,173,234**	**1,204,296**	**1,423,234**	**1,223,234**	**1,337,328**	**1,373,234**

* RPS shareholder entitlement: The holder of a RPS is entitled to a non-cumulative interest payment. Interest is accrued 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.

(c) Reconciliation of drawn amount to carrying amount

	30 June 2021 $'000	30 June 2020 $'000
Drawn amount	**1,173,234**	1,223,234
Unamortised borrowing costs	**(5,084)**	(5,897)
Unamortised CCIRS final exchange funding costs	**(7,850)**	(8,891)
Fair value adjustments	**50,374**	94,002
FX translation adjustments	**9,135**	50,393
Final exchange on CCIRS (included as Derivative)	**(15,513)**	(15,513)
Carrying amount	**1,204,296**	1,337,328

16. Net finance costs

	30 June 2021 $'000	30 June 2020 $'000
Finance income		
Bank interest	**464**	834
Total finance income	**464**	834
Finance costs		
Interest paid or payable	**(24,525)**	(42,202)
Dividends on RPS paid and/or provided	**(21,685)**	(21,744)
Amortisation of borrowing costs	**(24,975)**	(3,756)
Redemption Premium Expense	**(190)**	(191)
Borrowing costs capitalised	**742**	5,191
Total finance costs	**(70,633)**	(62,702)
Net finance costs	**(70,169)**	(61,868)

(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. Derivative 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 2021 $'000	30 June 2020 $'000
Current assets		
Cross currency swaps	**4,429**	5,129
Total current derivative financial instrument assets	**4,429**	5,129
Non-current assets		
Cross currency swaps	**33,509**	117,940
Total non-current derivative financial instrument assets	**33,509**	117,940
Current liabilities		
Interest rate swaps	**2,254**	700
Total current derivative financial instrument liabilities	**2,254**	700
Non-current liabilities		
Interest rate swaps	**22,770**	40,323
Total non-current derivative financial instrument liabilities	**22,770**	40,323
Total net derivative financial instrument assets	**12,914**	82,046

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 market 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 of 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).

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 changes in 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 changes in 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. During the year, the Group assessed the cash flow hedges to be highly effective and therefore continue to qualify for hedge accounting.

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 does not have any material ongoing exposure to foreign currency risks on revenue, operating expenses and capital expenditure and will consider hedging requirements for ad hoc foreign currency transactions on a materiality basis as they arise. 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 the Group 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 the Group 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 the Group 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 2021, 100% (30 June 2020: 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 2021 $'000	30 June 2020 $'000
Outstanding derivative contracts		
US Bonds	**423,159**	423,159
Cross currency swaps (notional amount)	**(423,159)**	(423,159)
	-	-

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)

Cash flow interest rate risk:

The Group is exposed to variability in cash flows as a result of changes in interest rates on its floating rate bonds, bank debt facilities and on the AUD floating interest rate exposure created from the USD fixed to AUD floating interest rate swap component of its cross currency swaps.

The Group's interest rate risk management policy is to fix interest rates across the total debt portfolio through the issuance of either fixed rate debt or execution of derivatives in line with the hedging bands set out below:

Interest Rate Hedging Policy Bands										
Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Upper Band	100%	95%	90%	85%	80%	75%	70%	65%	60%	55%
Lower Band	80%	75%	70%	65%	60%	55%	50%	45%	40%	35%

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 derivatives currently in place cover 95% (2020: 90%) of the loan principal outstanding at 30 June 2021. The average fixed interest rate is 1.40% (2020: 4.10%) 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.

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(c) Effects of applying hedge accounting

As at 30 June 2020	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 Hedged 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	-	(41,023)	-	-	(41,024)	44,241	-	(107,583)
Cross Currency Swaps	31,912	-	-	-	52,042	(53,710)	(161)	(4,943)
Fair value hedges								
Cross Currency Swaps	91,157	-	-	(567,556)	91,157	(94,002)	(1,302)	-

As at 30 June 2021	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 Hedged 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	-	(25,024)	-	-	(25,024)	26,384	(97)	(69,952)
Cross Currency Swaps	-	(7,628)	-	-	1,330	(607)	176	(8,116)
Fair value hedges								
Cross Currency Swaps	45,565	-	-	(482,670)	45,560	(46,019)	3,032	-

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18. Reserves

	Asset revaluation reserve $'000	Hedging reserve - cash flow hedges $'000	Foreign currency basis spread reserve $'000	Total $'000
Year ended 30 June 2020				
Balance 1 July	14,144	(54,960)	(11,541)	(52,357)
Revaluation (net of tax)	(286)	(13,687)	1,419	(12,554)
Total	**13,858**	**(68,647)**	**(10,122)**	**(64,911)**
Year ended 30 June 2021				
Balance 1 July	13,858	(68,647)	(10,122)	(64,911)
Revaluation (net of tax)	1,634	22,881	1,239	25,754
Total	**15,492**	**(45,766)**	**(8,883)**	**(39,157)**

(a) Asset revaluation reserve

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

(b) 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.

(c) 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.

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19. Dividends

	Consolidated and Parent Entity	
	30 June 2021 $'000	30 June 2020 $'000
Dividends for the year ended 30 June 2021 of nil (2020: $10.5) per fully paid share		
Interim ordinary dividend	**-**	20,000
Final ordinary dividend	**-**	-
	-	20,000

(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) Dividend franking account

	Consolidated and Parent Entity	
	30 June 2021 $'000	30 June 2020 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 30%)	**-**	-
	-	-

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 Limited 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 2021 $'000	30 June 2020 $'000
Balance sheet		
Current assets	**87,597**	158,729
Non-current assets	**1,269,419**	1,192,960
Total assets	**1,357,016**	1,351,689
Current liabilities	**51,160**	40,679
Non-current liabilities	**1,278,731**	1,291,575
Total liabilities	**1,329,891**	1,332,254
Net assets	**27,125**	19,435
Shareholders' equity		
Ordinary shares	**1,905**	1,905
Reserves	**15,492**	13,858
Retained earnings	**9,728**	3,672
	27,125	19,435
Profit for the year	**6,056**	16,952
Total comprehensive income for the year	**6,056**	16,952

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

As at 30 June 2021, the Parent Entity had contractual commitments for the acquisition of property, plant and equipment totalling $26.651 million (2020: $46.116 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:

(i) 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
(ii) 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	
		2021	2020
		%	%
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 Company Pty Ltd is the financing vehicle for the Group, whilst New Terminal Construction Company 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.

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22. Related party transactions

(a) Key management personnel compensation

	30 June 2021 $	30 June 2020 $
Employee benefits	**3,701,828**	2,889,562
Superannuation	**223,856**	237,306
	3,925,684	3,126,868

Key management personnel compensation (KMP) relates to employee benefits paid or accrued in relation to board members and executives. KMP 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.

Due to the impact of COVID-19 on AAL's operations, KMP payments and provisions in the years to 30 June 2020 and 30 June 2021 were materially reduced from the total KMP compensation in the year to 30 June 2019 of $4,842,371. KMP base remuneration was reduced by 20% for seven months from May 2020 and no executive short-term or long-term incentive payments were made during the year. The prior year KMP did not include a provision for future short or long term incentive payments. This year's KMP does not include payment of any incentive plans in the year but includes a provision for future payments.

(b) Superannuation contributions

	Consolidated	
	30 June 2021 $	30 June 2020 $
Contributions to superannuation funds on behalf of employees	**1,479,123**	1,853,181

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.

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 other comprehensive income, a consolidated balance sheet and a summary of movements in consolidated retained earnings for the year ended 30 June 2021 of the closed group consisting of Adelaide Airport Limited, Parafield Airport Limited, Adelaide Airport Management Limited and New Terminal Construction Company Pty Ltd.

Adelaide Airport Limited
Notes to the financial statements
30 June 2021

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

	30 June 2021 $'000	30 June 2020 $'000
Consolidated statement of profit or loss and other comprehensive income		
Revenue from continuing operations	**115,725**	196,355
Other income	**462**	621
Changes in fair value of investment properties	**52,867**	7,514
Employee benefits expense	**(12,955)**	(13,890)
Depreciation & amortisation expense	**(27,539)**	(24,662)
Services & utilities	**(29,334)**	(45,875)
Consultants & advisors	**(1,714)**	(3,240)
General administration	**(4,471)**	(6,897)
Reversal of expected credit loss	**3,513**	-
Expected credit loss expense	**(97)**	(11,769)
Leasing & maintenance	**(2,998)**	(4,373)
Finance costs	**(70,633)**	(61,981)
Impairment of property, plant and equipment	**25**	69
Gain/(Loss) on disposal of property, plant and equipment	**(46)**	14
Profit before income tax	**22,805**	31,886
Income tax expense	**(6,844)**	(9,585)
Profit for the year	**15,961**	22,301

	30 June 2021 $'000	30 June 2020 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**57,688**	55,387
Profit for the year	**15,961**	22,301
Dividends provided for or paid	**-**	(20,000)
Retained earnings at the end of the financial year	**73,649**	57,688

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2021 of the closed group.

	30 June 2021 $'000	30 June 2020 $'000
Current assets		
Cash and cash equivalents	**69,756**	138,821
Trade and other receivables	**17,955**	20,031
Total current assets	**87,711**	158,852
Non-current assets		
Property, plant and equipment	**528,121**	512,950
Investment properties	**517,441**	448,663
Intangible assets	**184,314**	184,945
Capitalised lease - operational land	**113,863**	115,424
Total non-current assets	**1,343,739**	1,261,982
Total assets	**1,431,450**	1,420,834
Current liabilities		
Trade and other payables	**50,174**	33,437
Franking deficit tax liabilities	**-**	6,385
Provisions	**4,930**	3,457
Deferred revenue	**1,151**	1,023
Total current liabilities	**56,255**	44,302
Non-current liabilities		
Borrowings	**1,142,443**	1,174,941
Deferred tax liabilities	**139,543**	125,406
Provisions	**1,237**	1,792
Deferred revenue	**926**	942
Total non-current liabilities	**1,284,149**	1,303,081
Total liabilities	**1,340,404**	1,347,383
Net assets	**91,046**	73,451
Equity		
Contributed equity	**1,905**	1,905
Reserves	**15,492**	13,858
Retained earnings	**73,649**	57,688
Total equity	**91,046**	73,451

Adelaide Airport Limited
Notes to the financial statements
30 June 2021

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 and contingent liabilities.

24. Provisions

	30 June 2021 $'000	30 June 2020 $'000
Current liabilities		
Annual leave	**885**	1,252
Long service leave	**2,105**	2,205
EIP provision and short-term incentives	**1,940**	-
	4,930	3,457
Non-current liabilities		
Long service leave	**501**	588
EIP provision	**736**	1,204
	1,237	1,792

(a) Wages and salaries, short-term incentives, annual leave and sick leave

Liabilities for wages and salaries, including short-term incentives and 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.

(b) 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.

(c) 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 years' accumulation subject to certain conditions contained in a formal agreement. No executive short-term or long-term incentive payments were made during the year.

25. Remuneration of auditors

The auditor of the Group is PricewaterhouseCoopers Australia.

	30 June 2021 $	30 June 2020 $
Audit and other assurance services		
Audit and review of financial statements	**157,500**	139,733
Other assurance services	**38,120**	37,170
Taxation services	**57,268**	55,007
Total remuneration of PricewaterhouseCoopers Australia	**252,888**	231,910

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. Events subsequent to balance date

(a) Further Government Actions in response to COVID-19 pandemic:

Various Australian State Governments have reimposed restrictions on interstate travel or imposed expanded localised lockdowns. At the date of signing this report, South Australia's (SA) hard border closure remains in place with a number of States and Territories.

28. Additional company information

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

Phone: (08) 8308 9211
Website: www.adelaideairport.com.au
Email: airport@aal.com.au

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 13 to 51 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 2021 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.

Jane Elizabeth Yuile
Director

Mark Dennis Young
Director

Adelaide
28 September 2021

Auditor's Independence Declaration

As lead auditor for the audit of Adelaide Airport Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Julian McCarthy
Partner
PricewaterhouseCoopers

Adelaide
28 September 2021

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Independent auditor's report

To the members 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 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- 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 significant accounting policies and other explanatory information
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2021, 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 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 that we 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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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.

PRICEWATERHOUSE COOPERS

PricewaterhouseCoopers

Julian McCarthy
Partner

Adelaide
28 September 2021

Adelaide Airport

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