Annual Financial Report
for the year ended 30 June 2022

Adelaide Airport

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Adelaide Airport Limited
ABN 78 075 176 653

ADELAIDE AIRPORT 2022
FINANCIAL REPORT

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 2022 (referred to hereafter as the Group or Adelaide Airport Limited or 'AAL').

Directors

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

Brenton Philip Vincent Cox (appointed on 10 December 2021)

Christopher John McArthur (resigned on 23 February 2022)

James (Jay) Brendan Hogan

Jane Elizabeth Yuile

John Frederick Ward

Lisa Mary Brock

Mark Dennis Young (retired on 10 December 2021)

Michael Bryan Gorman

Robert Ian Chapman

Alan Shang Ta Wu (Alternate for Christopher McArthur to 23 February 2022 and Director from this date)

Kate McCawe (Alternate for Alan Shang Ta Wu from 23 February 2022)

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 2021: $21.685 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 2022 $'000	30 June 2021 $'000
Redeemable Preference Share dividend (in quarterly instalments)	**21,685**	21,685
	21,685	21,685

It was determined that the Group was not in a position to declare any payments due to the continued impacts of COVID-19 during the year. As a result, payments of Redeemable Preference Share dividends continued to be deferred until June 2024 at the latest. 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.

Significant changes in the state of affairs

a. COVID-19 updates and border restrictions

The global spread of new COVID-19 variants and the associated imposition of travel restrictions continued to impact the aviation industry throughout the year. Prior to 23 November 2021, South Australia had varying levels of border restrictions and testing requirements depending on the COVID-19 transmission risk within each state and territory. Borders with Victoria and NSW were closed for the majority of the first half of the year due to state lockdowns following cases of community transmission. SA enacted its COVID-Ready Plan and allowed for the gradual reopening of the domestic borders in November 2021 to international border openings from February 2022. The full year FY22 performance reflects significant fluctuations in operating levels throughout the year ranging from a low of 14% of FY19 passenger numbers in August 2021 to 88% in June 2022.

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

- Prudent management of operating costs during the year. As the passenger recovery began, additional operating costs have been incurred to scale the business for the recovery environment and
- Suspension of shareholder distributions from 31 December 2019.

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

- AAL held unrestricted cash balances of $88.4 million at 30 June 2022. Cash balances together with $250 million in undrawn bank debt facilities are forecast to provide sufficient liquidity to meet operational and capital requirements for the foreseeable future.
- AAL has no drawn debt maturing in the next 12 months. The next debt maturity is $150 million of undrawn bank debt in May 2023, followed by $155 million ($105 million drawn) of bank facilities between July and October 2023.
- AAL's rolling 12-month interest cover ratio at 30 June 2022 was 3.11, well above the default covenant thresholds.

The impact of COVID-19 extended beyond aeronautical activities into the retail and car parking revenue streams. Rental abatements and deferrals were provided to impacted retailers to support them through the significant disruption caused by COVID-19 and underpin a long-term pipeline of retail revenue.

b. Government Assistance

The Group was an eligible airport under the Domestic Airports Security Costs Support (DASCS) program and International Airports Security Costs Rebate (IASCR) program. As part of these programs, the Group was entitled to the Federal Government's program funding allocation for government mandated security costs. The DASCS program commenced in March 2021 and concluded in December 2021 and IASCR program commenced in October 2021 and concluded in March 2022.

The Group received $4.5 million from both programs during the year. This was recognised as part of Aeronautical revenue in the statement of profit or loss and other comprehensive income and reflected in the statement of cash flows.

c. Terminal Expansion

The half-year period has seen the continuation of the terminal expansion project with practical completion reached on 18 November 2021, marking the completion of TEx major construction.

d. Adelaide Airport Aviation Fuel Facility

The Group successfully completed the acquisition of the Joint Operated Storage Facility (JOSF) on 1 December 2021, now referred to as Adelaide Airport Aviation Fuel Facility (AAAFF). AAAFF comprises of two 1.4 million litre storage tanks and associated infrastructure with a third-party operator appointed to operate and maintain the fuel supply infrastructure. The purchase is expected to provide open and transparent access to aviation fuel as well as creating an opportunity to contribute to the transition to future sustainable aviation fuels.

e. Key Management Personnel

The Group appointed Brenton Cox as its Managing Director effective from 10 December 2021 following the retirement of his predecessor Mark Young. Brenton was previously in a key management position in his role of Executive General Manager Finance and Corporate. The Group also announced the appointments of Joshua Golding as Chief Financial Officer and Alicia Bickmore as Executive General Manager, Corporate & General Counsel, both effective 10 December 2021. Both Joshua and Alicia became part of key management personnel from this date.

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 up 15.8% compared to prior year. Results in the prior year were impacted by a number of positive one-offs including JobKeeper, settlement proceeds and the recovery of Virgin debt provisions.

Total revenue increased by 28% due to:

- An increase in passenger volumes driving an increase in aeronautical revenue, car parking, Terminal advertising revenue, taxi collections and turnover rent on retail and car rental operators.
- An increase in non-passenger linked revenue sources including growth in property revenue due to new leases and tenants.
- Revenue related to the the purchase of the Adelaide Airport Aviation Fuel Facility (AAAFF) in December 2021.

Operating expenditure for the full year was $69.4 million, 27.8% below that of FY19 in real terms reflecting a wide range of cost reductions across every aspect of the controllable cost base.

The statutory loss after adjusting profit from ordinary activities for the impact of the fair value movement in investment properties was a loss of $11.1 million (2021: a loss of $18.7 million). Statutory profit adjusted for the investment properties fair value movement and consequential tax impacts was as follows:

	30 June 2022 $'000	30 June 2021 $'000
Profit after tax	**22,850**	18,263
Less:		
Changes in fair value of investment properties (net of tax)	**(33,956)**	(37,007)
(Loss) after tax (before investment property revaluation)	**(11,106)**	(18,744)

Matters subsequent to the end of the financial year

a. Changes to the Shareholders

On 12 July 2022, 85,710 ordinary shares in Adelaide Airport Ltd and Redeemable Preference Shares (RPS) in New Terminal Construction Company Pty Ltd were transferred between existing Shareholders, changing the proportion of Shareholder ownership. The Shareholder base remains unchanged as a result of this transaction.

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.

Other information on other likely developments in the operations of the Group, and the expected results of operations, have not been included in these financial statements because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

Information on directors

Brenton Cox

LLM (Cantab), LLB (Hons), GDLP, B.Com. (Acc), B.Fin.
Managing Director

Experience and expertise

Brenton was appointed Managing Director of Adelaide Airport on 10 December 2021. Brenton joined Adelaide Airport in 2013 and was previously 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 Master 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 Finance, Risk and Compliance Committee), a Board member of Adelaide University Business School Advisory Board and a Councillor of the Property Council of South Australia and Freight Council of South Australia.

Special responsibilities

- Managing Director
- Member of the Property, People and Customer Committee
- Member of the Infrastructure Committee

James (Jay) Brendon Hogan

MBA, AFAMI, JP
Director

Experience and expertise

Jay was appointed on 29 July 2009 as a non-executive director nominated by Host-Plus Pty Ltd. 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 and Sevenhill Wines and is a major project consultant to Lendlease.

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 and Compliance Committee
- Member of the Property, People and Customer Committee
- Member of the Infrastructure Committee

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 specialising in governance and strategy development, particularly in transport, tourism, communications, infrastructure and technology focused industries. He retired as the General Manager Commercial of News Limited in 2001.

Prior to joining News Limited in 1994 John was Managing Director and Chief Executive of Qantas Airways Limited, in which he spearheaded its acquisition of a merger with Australian Airlines and the group's subsequent privatisation. This culminated 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. He is the former Chairman of Wolseley Private Equity and is a seasoned and well credentialed non-executive director, having served, including as chairman, on the boards of many listed and unlisted public companies headquartered in both Australia and overseas. He has also held appointments on several government bodies in the fields of tourism, aviation, freight and economic regulation.

Special responsibilities

- Chair of the Remuneration Committee
- Member of the Audit and Compliance Committee
- Member of the Property, People and Customer Committee
- Member of the Infrastructure Committee

Information on directors (continued)

Lisa Brock

BSc (Hons), MAppFin, ACA, GAICD
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 a Honours Degree in Maths and Sport Science at the University of Birmingham.

Special responsibilities

- Member of the Audit and Compliance Committee (appointed 23 February 2022)
- 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

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), Fusetec (Chairman), 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 Audit and Compliance Committee
- Member of the Property, People and Customer Committee
- Member of the Infrastructure Committee
- Member of the Remuneration Committee

Alan Shang Ta Wu

M.Com., CFA, GAICD
Director

Experience and expertise

Alan joined the Board on 23 February 2022 as a non-executive director nominated by Igneo Infrastructure Partners. Alan was previously an alternate director of Adelaide Airport since 30 March 2011. Alan is a Director, Infrastructure Investments, at Igneo Infrastructure Partners.

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 currently serves as a director on a number of Boards including a director of for Brisbane Airport Corporation and Water Utilities Australia. Alan has also previously served as a director of Bankstown and Camden Airports.

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)

Kate McCawe

B.Com, CFA
Alternate Director

Experience and expertise

Kate was appointed as an alternate director to Alan Wu on 23 February 2022. Kate is an Associate Director at Igneo Infrastructure Partners since December 2015. Kate previously held positions at Commonwealth Bank of Australia, Equities Research and KPMG.

Other directorships and positions

Kate currently serves as an alternate Director at Brisbane Airport Corporation.

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).

Director resignations during the 2022 financial year

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

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 and retired from this position on 10 December 2022. 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 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

Information on company secretaries

Alicia Bickmore

LLB (Hons), GDLP, B.BehavSc. (Psych), LLM (Applied Law), GAICD
Company Secretary

Experience and expertise

Alicia is Adelaide Airport's Executive General Manager - Corporate and General Counsel (appointed on 10 December 2021) 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).

Sarah Westmoreland

CA, B.Com
Company Secretary

Experience and expertise

Sarah is Adelaide Airport's Head of Finance and was appointed Company Secretary in December 2021 after joining Adelaide Airport in December 2015.

Prior to joining Adelaide Airport, Sarah held roles as Financial Controller at Santos Limited, RAA Insurance and Manager at PricewaterhouseCoopers. Sarah is a Chartered Accountant and holds a Bachelor of Commerce (Accounting and Corporate Finance) from the University of Adelaide.

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 2022, 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 Shang Ta Wu**	4 of 4	2 of 2	n/a	4 of 4	4 of 4
Brenton Philip Vincent Cox	5 of 5	3 of 3	3 of 3	5 of 5	5 of 5
Christopher John McArthur	6 of 6	3 of 3	n/a	6 of 6	6 of 6
James Brendan Hogan	9 of 10	n/a	3 of 3	9 of 10	9 of 10
Jane Yuile	10 of 10	5 of 5	n/a	10 of 10	10 of 10
John Frederick Ward	10 of 10	5 of 5	3 of 3	10 of 10	10 of 10
Lisa Brock	10 of 10	2 of 2	n/a	10 of 10	10 of 10
Mark Dennis Young	5 of 5	2 of 2	n/a	5 of 5	5 of 5
Michael Bryan Gorman	10 of 10	n/a	3 of 3	10 of 10	10 of 10
Robert Ian Chapman	10 of 10	5 of 5	3 of 3	10 of 10	10 of 10
Katherine Jane McCawe *	n/a	n/a	n/a	n/a	n/a
Kent Ian Robbins *	n/a	n/a	n/a	n/a	n/a

*Alternate Director

** Alternate Director to 23 February 2022 and Director from 23 February 2022

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 61.

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

Brenton Philip Vincent Cox
Director

Adelaide
27 September 2022

FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Notes	Consolidated 30 June 2022 $'000	Consolidated 30 June 2021 $'000
Revenue from continuing operations	5	**147,772**	115,726
Changes in fair value of investment properties	9	**48,509**	52,867
Other income		**87**	175
Employee benefits expense		**(16,386)**	(12,955)
Services & utilities		**(36,635)**	(29,334)
Consultants & advisors		**(3,200)**	(1,714)
General administration		**(6,637)**	(4,471)
Increase/(Reversal) of expected credit loss		**(26)**	3,416
Leasing & maintenance		**(6,491)**	(2,998)
Gain/(Loss) on disposal of property, plant & equipment		**11**	(46)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**127,004**	120,666
Interest income	16	**220**	464
Finance costs	16	**(66,274)**	(70,633)
Depreciation & amortisation	8, 10, 11	**(27,812)**	(27,539)
Impairment/(reversal of impairment) of property, plant & equipment	8	**(505)**	25
Changes in fair value of financial instruments		**71**	3,111
Profit before income tax		**32,704**	26,094
Income tax expense	6	**(9,854)**	(7,831)
Profit for the year		**22,850**	18,263
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	**67,408**	22,881
Changes in the fair value of foreign currency basis spread reserve, net of tax	18	**8,372**	1,239
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings, net of tax	18	**-**	1,634
Other comprehensive income for the year, net of tax		**75,780**	25,754
Total comprehensive income for the year		**98,630**	44,017

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

Consolidated Balance Sheet

As at 30 June 2022

	Notes	Consolidated 30 June 2022 $'000	Consolidated 30 June 2021 $'000
Current assets			
Cash and cash equivalents	12	**88,429**	76,453
Trade and other receivables	13	**24,255**	17,954
Derivative financial instruments	17	**7,933**	4,429
Total current assets		**120,617**	98,836
Non-current assets			
Derivative financial instruments	17	**100,227**	33,509
Property, plant and equipment	8	**540,576**	528,122
Investment properties	9	**563,271**	517,441
Intangible assets	10	**183,686**	184,313
Capitalised lease - operational land	11	**119,716**	113,863
Total non-current assets		**1,507,476**	1,377,248
Total assets		**1,628,093**	1,476,084
Current liabilities			
Trade and other payables	14	**84,243**	54,246
Derivative financial instruments	17	**8,983**	2,254
Provisions	24	**4,404**	4,930
Deferred revenue		**2,749**	1,151
Total current liabilities		**100,379**	62,581
Non-current liabilities			
Borrowings	15	**1,188,059**	1,204,296
Deferred tax liabilities	7	**167,900**	125,568
Provisions	24	**713**	1,237
Derivative financial instruments	17	**12,991**	22,770
Deferred revenue		**715**	926
Total non-current liabilities		**1,370,378**	1,354,797
Total liabilities		**1,470,757**	1,417,378
Net assets		**157,336**	58,706
Equity			
Contributed equity		**1,905**	1,905
Other reserves	18	**36,623**	(39,157)
Retained earnings		**118,808**	95,958
Total equity		**157,336**	58,706

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

Consolidated

		Attributable to owners of Adelaide Airport Limited			
		Share capital	Other reserves	Retained earnings	Total equity
	Notes	$'000[1]	$'000	$'000	$'000
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**
Balance at 1 July 2021		1,905	(39,157)	95,958	58,706
Profit for the year		-	-	22,850	22,850
Other comprehensive income	18	-	75,780	-	75,780
Total comprehensive income for the year		**-**	**75,780**	**22,850**	**98,630**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	19	-	-	-	-
Balance at 30 June 2022		**1,905**	**36,623**	**118,808**	**157,336**

[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.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	Consolidated 30 June 2022 $'000	Consolidated 30 June 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**157,260**	133,605
Payments to suppliers and employees (inclusive of GST)		**(81,213)**	(63,422)
		76,047	70,183
Interest paid		**(25,609)**	(25,767)
Income taxes paid		**-**	(5,655)
Interest received		**177**	511
Net cash inflow from operating activities	12	**50,615**	39,272
Cash flows from investing activities			
Payments for property, plant and equipment and investment properties		**(38,650)**	(58,354)
Proceeds from sale of property, plant and equipment		**11**	21
Net cash (outflow) from investing activities		**(38,639)**	(58,333)
Cash flows from financing activities			
Repayment of borrowings		**-**	(50,000)
Net cash inflow/(outflow) from financing activities		**-**	(50,000)
Net increase/(decrease) in cash and cash equivalents		**11,976**	(69,061)
Cash and cash equivalents at the beginning of the financial year		**76,453**	145,514
Cash and cash equivalents at the end of the financial year	12	**88,429**	76,453

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

NOTES TO THE FINANCIAL STATEMENTS

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.

The presentation currency used in these financial statements is Australian dollars ($).

a. Compliance with AASB

The Group does not have 'public accountability' as defined in *AASB 1053 Application of Tiers of Australian Accounting Standards* and is therefore eligible to apply the 'Tier 2' reporting framework under Australian Accounting Standards. The Group adopted *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* for the annual reporting period beginning on or after 1 July 2021. The application of Australian Accounting Standards – Simplified Disclosures has not affected the reported financial position, financial performance and cash flows of the Group, but has impacted the disclosures included in these financial statements.

b. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments and US dollar debt hedged by cross-currency interest rate swaps and investment properties 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. The Directors have formed this conclusion with reference to the following:

- At 30 June 2022, the Group was in a net asset position of $157.3 million (2021: $58.7 million) and current asset position $20.2 million (2021: $36.2 million).The Group's rolling 12-month interest cover ratio at 30 June 2022 was 3.11, well above the default covenant thresholds.
- The Group held unrestricted cash balances of $88.4 million and $250 million in undrawn bank debt facilities at 30 June 2022.
- AAL has no drawn debt maturing in the next 12 months. The next debt maturity is $150 million of undrawn bank debt in May 2023, followed by $155 million ($105 million drawn) of bank facilities between July and October 2023.
- A review of the cash flow projections covering a period of at least 12 months after the accounts are authorised for issue showed they are expected at a level to remain compliant with covenant requirements and fund all forecast cash requirements.
- The Group undertook a corporate valuation at 30 June 2022. The result of the updated valuation indicated significant headroom of equity value above net assets.
- 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.

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 2022 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:

- Impairment of goodwill assessment (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).

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 2022 $'000	30 June 2021 $'000
Revenue from continuing operations		
Aeronautical revenue	**58,056**	40,605
Commercial trading revenue	**14,936**	9,035
Property revenue	**52,756**	52,368
Car parking revenue	**17,161**	11,720
Other revenue	**4,863**	1,998
	147,772	115,726

Revenue Recognition

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. The Group continues to provide abatements to retail tenants and car rental operators significantly affected by COVID-19. Rent abatements are recognised as an offset to revenue as negative variable lease payments when the group has an obligation to adjust fixed rent in response to significant reductions in passenger numbers. During the year, the Group recognised $12.0 million of abatements as a reduction to revenue.
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 obligation is satisfied.
Other revenue	Other revenue consists of revenue generated from Adelaide Airport non-terminal facilities such as ground facilities fees (bus, taxi and ride share service fee), fuel throughput charges and other miscellaneous revenue.	Revenue is recognised on an accruals basis in the period when the services are provided.

TAXATION

6 Income Tax Expense

	30 June 2022 $'000	30 June 2021 $'000
Current tax on (loss) for the year	**(434)**	(4,332)
Adjustments for current tax of prior periods	**43**	1,687
	(391)	(2,645)
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	**23,315**	(4,138)
Increase in deferred tax liabilities	**(13,027)**	14,614
Adjustment for deferred tax of prior periods	**(43)**	-
	10,245	10,476
Income tax expense	**9,854**	7,831

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 2022 $'000	30 June 2021 $'000
Profit from continuing operations before income tax expense	**32,704**	26,093
Tax at the Australian tax rate of 30.0% (2021: 30.0%)	**9,811**	7,828
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expense	**43**	3
Under/(over provided) in prior years balance	**-**	-
Income tax expense	**9,854**	7,831

b. Amounts recognised directly in equity

	30 June 2022 $'000	30 June 2021 $'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	**32,478**	10,337
Deferred tax: Revaluation gain on transfer to investment properties	**-**	700
	32,478	11,037

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.

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
As at 30 June				
Investment property revaluations*	**-**	-	**(158,012)**	(139,398)
Capitalised lease - operational land	**-**	-	**(35,915)**	(34,159)
Property, plant and equipment	**-**	17,059	**23,409**	-
Intangible assets	**-**	-	**(1,283)**	(1,471)
Accrued revenue and expenses	**-**	-	**(414)**	(228)
Cash flow hedges	**-**	26,043	**(14,649)**	-
Fair value hedges	**3,437**	-	**-**	(13,670)
Hedges	**-**	-	**-**	(13,507)
Borrowings	**-**	15,112	**(2,542)**	-
Provisions	**1,733**	2,683	**-**	-
Other	**214**	278	**-**	-
Tax value of recognised tax losses	**16,122**	15,690	**-**	-
Recognised deferred tax assets/liabilities	**21,506**	76,865	**(189,406)**	(202,433)
Set-off of deferred tax assets	**(21,506)**	(76,865)	**21,506**	76,865
Net deferred tax liabilities	**-**	-	**(167,900)**	(125,568)

* 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	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Opening balance at 1 July	**76,865**	81,120	**(202,433)**	(187,819)
Recognised in profit & loss	**(23,315)**	4,138	**13,027**	(14,614)
Recognised in equity	**(32,478)**	(11,038)	**-**	-
Franking deficit tax	**-**	(6,385)	**-**	-
Tax value of recognised tax losses	**434**	9,030	**-**	-
Closing balance at 30 June	**21,506**	76,865	**(189,406)**	(202,433)

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 Equiment

	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 2022				
Opening net book amount	50,630	436,176	41,316	528,122
Additions	38,659	-	-	38,659
Transfers to/from CWIP	(64,332)	52,279	12,053	-
Disposals	-	-	-	-
Depreciation charge	-	(18,110)	(7,590)	(25,700)
Impairment loss (b)	-	-	(505)	(505)
Closing net book amount	**24,957**	**470,345**	**45,274**	**540,576**
At 30 June 2022				
Cost	24,957	666,856	163,961	855,774
Accumulated depreciation	-	(196,511)	(118,687)	(315,198)
Net book amount	**24,957**	**470,345**	**45,274**	**540,576**

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. An impairment loss is recognised in the statement of profit or loss and other comprehensive income in relation to Parafield Airport.

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 2022.

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. The projects as part of the capital work in progress were assessed as currently active and intended to be complete, are still contemplated by the airport masterplan and for aeronautical projects are intended to be included in the regulatory asset base. During the year ended 30 June 2022, the Group did not recognise an impairment in respect of certain capital works in progress (2021: $0.5 million).

c. Capital expenditure commitments

At reporting date, the Group had capital expenditure commitments of $17.668 million (2021: $26.651 million).

9 Investment Properties

	30 June 2022 $'000	30 June 2021 $'000
Investment properties movements		
At fair value		
Opening balance 1 July	**517,441**	448,663
Capitalised subsequent expenditure	**4,658**	13,548
Disposals	**-**	(55)
Net gain from fair value adjustments	**48,509**	52,867
Reclassification from investment to operating	**(7,337)**	-
Reclassification from operating to investment	**-**	2,418
	563,271	517,441

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 2022 represents the first 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.

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. The Group adoped a capitalisation rate ranging between 5.50%-10.50%
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. The Group adoped a discount rate ranging between 6.00%-12.00%
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 range from short-term ground leases to long-term leases of the Group's owned assets with a weighted average life expiry of 11.6 years across the portfolio. The investment properties are leased to tenants under operating leases with rental payments monthly. There are no purchase options in the lease. To reduce credit risk, the Group has obtained bank guarantees from the tenants for the terms of the leases. Most leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

	30 June 2022 $'000	30 June 2021 $'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	**36,100**	34,409
Later than one year but not later than 5 years	**154,797**	143,811
Later than five years	**217,405**	200,968
	408,302	379,188

These amounts do not include variable percentage rentals which may become receivable under certain leases on the basis of turnover in excess of stipulated minimums and do not include recovery of outgoings.

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 2022				
Opening net book amount	179,410	2,411	2,493	184,314
Amortisation charge	-	(458)	(170)	(628)
Closing net book amount	**179,410**	**1,953**	**2,323**	**183,686**
At 30 June 2022				
Cost	179,410	6,182	20,853	206,445
Accumulated amortisation and impairment	-	(4,229)	(18,530)	(22,759)
Net book amount	**179,410**	**1,953**	**2,323**	**183,686**

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 the year ended 30 June 2022 no intangible assets were impaired (30 June 2021: 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.

An independent valuation of the Group's equity value at 30 June 2022 supports the net asset position, including the carrying value of goodwill. 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.

11 Capitalised Lease-Operational land

	30 June 2022 $'000	30 June 2021 $'000
Capitalised lease - operational land movements		
Opening balance 1 July	**113,863**	115,424
Revaluation gain on transfer to investment properties	**-**	2,334
Reclassification from operating to investment	**-**	(2,418)
Reclassification from investment to operating	**7,337**	-
Amortisation	**(1,484)**	(1,477)
	119,716	113,863

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 2022 $'000	30 June 2021 $'000
Cash at bank and in hand	**86,337**	74,362
Distribution account	**2,092**	2,091
	88,429	76,453

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

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

	30 June 2022 $'000	30 June 2021 $'000
Profit for the year	**22,850**	18,263
Depreciation of property plant and equipment	**25,700**	25,435
Amortisation of intangible assets	**627**	627
Amortisation of borrowing costs	**19,123**	24,975
Amortisation of capitalised lease - operational land	**1,484**	1,477
RPS redemption premium	**190**	191
Loss on fair value hedges	**(71)**	(3,111)
Net loss on sale of assets	**-**	46
Fair value adjustment to investment property	**(48,509)**	(52,867)
Impairment of assets	**505**	(25)
Borrowing costs paid	**(495)**	(1,496)
Capitalisation of borrowing costs	**(208)**	(742)
Movements in current and deferred tax assets and liabilities	**42,331**	12,484
Deferred tax movements recognised in equity	**(32,478)**	(11,037)
Decrease/(Increase) in trade debtors and accrued income	**(6,301)**	2,077
Increase in trade creditors	**25,866**	22,975
Net cash inflow from operating activities	**50,615**	39,272

13 Trade and Other Receivables

	30 June 2022 $'000	30 June 2021 $'000
Current receivables		
Net trade receivables		
Trade debtors	**19,775**	11,844
Allowance for expected credit loss	**(196)**	(247)
	19,579	11,597
Other receivables		
Accrued revenue	**3,025**	5,256
Prepayments	**1,651**	1,101
	4,676	6,357
Total current receivables	**24,255**	17,954

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 2022. 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. The assessment adopted a higher risk to customers in voluntary administration and retail customers who are most affected by border closures (specifically provided for above). A lower risk is attached to airlines, 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 2022 $'000	30 June 2021 $'000
Current liabilities		
Trade payables	**8,653**	5,427
Interest payables	**64,091**	42,035
Other payables	**11,304**	6,648
Retentions and deposits	**195**	136
	84,243	54,246

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 usually settled on 30-day terms. Trade payables are held at amortised cost. The interest payables represent interest payable on borrowings payable on a quarterly or bi-annual basis as well as the interest deferred on the redeemable preference shares. As at 30 June 2022 the provision in relation to the deferred redeemable preference shares amounted to $59.6 million (2021: $38.0 million).

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 2022 $'000	30 June 2021 $'000
Non-current liabilities		
Secured		
Medium Term Notes	**199,481**	199,227
Bilateral banking facility	**104,309**	103,585
US Bonds	**694,416**	711,900
ESG Loan	**(197)**	(254)
Total secured non-current borrowings	**998,009**	1,014,458
Redeemable preference shares	**190,050**	189,838
Total non-current borrowings	**1,188,059**	1,204,296

a. Recognition and measurement

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

Senior secured lenders benefit from security over the capitalised lease – operational land and a fixed and floating charge over the assets of the Group. The balances and other details related to the Group's borrowings as at 30 June 2022 are presented in the following table:

		2022			2021		
	Financial Year of Maturity	Drawn Amount $'000	Carrying Amount $'000	Limit $'000	Drawn Amount $'000	Carrying Amount $'000	Limit $'000
Medium Term Notes							
BBSW + margin	2025	200,000	199,481	200,000	200,000	199,227	200,000
Bilateral Banking Facility							
BBSY + margin	2024	105,000	105,205	105,000	105,000	104,481	105,000
BBSY + margin	2023	-	(896)	200,000	-	(896)	200,000
ESG Loan							
BBSW + margin based on AAL's ESG rating	2026	-	(197)	50,000	-	(254)	50,000
US Bonds - AUD							
Fixed at 5.39%	2026	25,000	24,885	25,000	25,000	24,847	25,000
BBSW + Margin	2031	25,000	24,885	25,000	25,000	24,847	25,000
Fixed at 5.043%	2044	140,000	139,112	140,000	140,000	139,070	140,000
US Bonds - USD							
Fixed at 3.73%	2026	118,016	112,101	118,016	118,016	111,790	118,016
Fixed at 3.83%	2028	133,020	142,077	133,020	133,020	143,929	133,020
Fixed at 3.98%	2031	101,008	105,981	101,008	101,008	110,032	101,008
Fixed at 4.39%	2034	137,627	145,375	137,627	137,627	157,385	137,627
Redeemable Preference Shares*							
Fixed 11.5%	2024	188,563	190,050	188,563	188,563	189,838	188,563
Total		**1,173,234**	**1,188,059**	**1,423,234**	**1,173,234**	**1,204,296**	**1,423,234**

** 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 theterms 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 2022 $'000	30 June 2021 $'000
Drawn amount	**1,173,234**	1,173,234
Unamortised borrowing costs	**(3,219)**	(5,084)
Unamortised CCIRS final exchange funding costs	**(6,782)**	(7,850)
Fair value adjustments	**(8,473)**	50,374
FX translation adjustments	**48,812**	9,135
Final exchange on CCIRS (included as Derivative)	**(15,513)**	(15,513)
Carrying amount	**1,188,059**	1,204,296

16 Net Finance Costs

	30 June 2022 $'000	30 June 2021 $'000
Finance income		
Bank interest	**220**	464
Total finance income	**220**	464
Finance costs		
Interest paid or payable	**(25,484)**	(24,525)
Dividends on RPS paid and/or provided	**(21,685)**	(21,685)
Amortisation of borrowing costs	**(19,123)**	(24,975)
Redemption Premium Expense	**(190)**	(190)
Borrowing costs capitalised	**208**	742
Total finance costs	**(66,274)**	(70,633)
Net finance costs	**(66,054)**	(70,169)

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 derivatives that are designated and effective as hedging instruments carried at fair value:

	30 June 2022 $'000	30 June 2021 $'000
Current assets		
Interest rate swaps	**7,933**	-
Cross currency swaps	**-**	4,429
Total current derivative financial instrument assets	**7,933**	4,429
Non-current assets		
Interest rate swaps	**60,267**	-
Cross currency swaps	**39,960**	33,509
Total non-current derivative financial instrument assets	**100,227**	33,509
Current liabilities		
Interest rate swaps	**866**	2,254
Cross currency swaps	**8,117**	-
Total current derivative financial instrument liabilities	**8,983**	2,254
Non-current liabilities		
Interest rate swaps	**-**	22,770
Cross currency swaps	**12,991**	-
Total non-current derivative financial instrument liabilities	**12,991**	22,770
Total net derivative financial instrument assets	**86,186**	12,914

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 where 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 2022, 100% (30 June 2021: 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 2022 $'000	30 June 2021 $'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:

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.

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% (2021: 95%) of the loan principal outstanding at 30 June 2022. The average fixed interest rate is 1.32% (2021: 1.40%) and the variable rates are based on the 90-day BBSY (bid) bank bill rate or 90-day BBSW bank bill rate.

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

c. Impact of the application of Interest Rate Benchmark Reform

Phase 1 Amendments

The Group adopted the Phase 1 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

Phase 2 Amendments

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Accounting impacts arising from the application of the above amendments

At 30 June 2022 the Group does not have:

- any debt instruments linked to USD LIBOR as all USD bonds issued are fixed rate; or
- any interest rate swaps or cross currency interest rate swaps directly linked to LIBOR as these instruments swap the fixed foreign denominated interest rate to either a fixed or floating BBSW(Y) interest rate.

Despite not having any direct USD LIBOR linked debt or swap instruments, some cross currency swap hedge relationships reference USD LIBOR for both hedge accounting and valuation purposes. The Group has performed an initial high level LIBOR exposure review and has not identified any direct USD LIBOR exposures. For hedge relationships with indirect USD LIBOR exposures, management has assessed that overall economics of the hedging transactions will not be modified as part of the transition process as there is no direct exposure to LIBOR, however, should any benchmark rates change this will be effected in the underlying hedge relationships.

The Group's indirect exposure to USD LIBOR benchmark within the hedge accounting relationships are subject to interest rate benchmark reform with transition not expected to occur until 2023.

d. Effects of applying hedge accounting

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	Loss on Hedging Activities	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	-

As at 30 June 2022	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	Loss on Hedging Activities	Total Hedge Reserves
$'000	Asset	Liability	Asset	Liability	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)
Cash flow hedges								
Interest Rate Swaps	67,334	-	-	-	53,849	55,079	-	37,664
Cross Currency Swaps	43,298	(12,991)	-	-	34,210	39,210	(378)	(7,475)
Fair value hedges								
Cross Currency Swaps	826	(12,281)	-	(463,499)	(11,455)	11,787	791	-

18 Reserves

	Asset revaluation reserve $'000	Hedging reserve - cash flow hedges $'000	Foreign currency basis spread reserve $'000	Total $'000
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)**
Year ended 30 June 2022				
Balance 1 July	15,492	(45,766)	(8,883)	(39,157)
Revaluation (net of tax)	-	67,408	8,372	75,780
Total	**15,492**	**21,642**	**(510)**	**36,623**

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.

19 Dividends

No dividends were paid for the year ended 30 June 2022 (2021: nil).

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

There are no franking credits available for subsequent financial years. A franking deficit tax was paid on 30 March 2021 that will be available as a tax offset in future years. The tax-effect of this amount is recorded as part of the deferred tax assets.

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 2022 $'000	30 June 2021 $'000
Balance sheet		
Current assets	**105,797**	87,597
Non-current assets	**1,329,121**	1,269,419
Total assets	**1,434,918**	1,357,016
Current liabilities	**82,393**	51,160
Non-current liabilities	**1,308,452**	1,278,731
Total liabilities	**1,390,845**	1,329,891
Net assets	**44,073**	27,125
Shareholders' equity		
Ordinary shares	**1,905**	1,905
Reserves	**15,492**	15,492
Retained earnings	**26,676**	9,728
	44,073	27,125
Profit for the year	**16,948**	6,056
Total comprehensive income for the year	**16,948**	6,056

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

As at 30 June 2022, the Parent Entity had contractual commitments for the acquisition of property, plant and equipment totalling $17.668 million (2021: $26.651 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	
		2022 %	2021 %
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 of the Group. Parafield Airport Limited holds the lease rights to operate Parafield Airport, South Australia's principal general aviation and civilian flight training 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.

22 Related Party Transactions

a. Key management personnel compensation

	30 June 2022 $	30 June 2021 $
Employee benefits	**4,059,056**	3,701,828
Superannuation	**274,103**	223,856
	4,333,159	3,925,684

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.

b. Superannuation contributions

	Consolidated	
	30 June 2022 $	30 June 2021 $
Contributions to superannuation funds on behalf of employees	**1,689,820**	1,479,123

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 2022 of the closed group consisting of Adelaide Airport Limited, Parafield Airport Limited, Adelaide Airport Management Limited and New Terminal Construction Company Pty Ltd.

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

	30 June 2022 $'000	30 June 2021 $'000
Consolidated statement of profit or loss and other comprehensive income		
Revenue from continuing operations	**147,772**	115,725
Other income	**302**	462
Changes in fair value of investment properties	**48,509**	52,867
Employee benefits expense	**(16,386)**	(12,955)
Depreciation & amortisation	**(27,810)**	(27,539)
Services & utilities	**(36,635)**	(29,334)
Consultants & advisors	**(3,200)**	(1,714)
General administration	**(6,637)**	(4,471)
Increase/(Reversal) of expected credit loss	**(26)**	3,416
Leasing & maintenance	**(6,491)**	(2,998)
Finance costs	**(66,517)**	(70,633)
Impairment /(Reversal of impairment) of property, plant & equipment	**(505)**	25
Gain/(Loss) on disposal of property, plant & equipment	**11**	(46)
Profit before income tax	**32,387**	22,805
Income tax (expense)/benefit	**(9,759)**	(6,844)
Profit for the year	**22,628**	15,961

	30 June 2022 $'000	30 June 2021 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**73,649**	57,688
Profit for the year	**22,628**	15,961
Dividends provided for or paid	**-**	-
Retained earnings at the end of the financial year	**96,277**	73,649

b. Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2022 of the closed group.

	30 June 2022 $'000	30 June 2021 $'000
Current assets		
Cash and cash equivalents	**81,731**	69,756
Trade and other receivables	**24,252**	17,955
Total current assets	**105,983**	87,711
Non-current assets		
Property, plant and equipment	**540,576**	528,121
Investment properties	**563,271**	517,441
Intangible assets	**183,687**	184,314
Capitalised lease - operational land	**119,717**	113,863
Total non-current assets	**1,407,251**	1,343,739
Total assets	**1,513,234**	1,431,450
Current liabilities		
Trade and other payables	**79,816**	50,174
Provisions	**4,404**	4,930
Deferred revenue	**2,749**	1,151
Total current liabilities	**86,969**	56,255
Non-current liabilities		
Borrowings	**1,157,018**	1,142,443
Deferred tax liabilities	**154,145**	139,543
Provisions	**713**	1,237
Deferred revenue	**715**	926
Total non-current liabilities	**1,312,591**	1,284,149
Total liabilities	**1,399,560**	1,340,404
Net assets	**113,674**	91,046
Equity		
Contributed equity	**1,905**	1,905
Reserves	**15,492**	15,492
Retained earnings	**96,277**	73,649
Total equity	**113,674**	91,046

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 2022 $'000	30 June 2021 $'000
Current liabilities		
Annual leave	**883**	885
Long service leave	**2,201**	2,105
EIP provision and short-term incentives	**1,320**	1,940
	4,404	4,930
Non-current liabilities		
Long service leave	**570**	501
EIP provision	**143**	736
	713	1,237

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 personal leave as the anticipated pattern of future personal 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 total Shareholder Return 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.

25 Remuneration of Auditors

The auditor of the Group is Deloitte Touche Tohmatsu Australia.

	30 June 2022 $	30 June 2021 $
PricewaterhouseCoopers		
Audit and other assurance services		
Audit and review of financial statements	**42,608**	157,500
Other assurance services	**30,420**	38,120
Taxation services	**95,000**	57,268
Total remuneration of external auditors	**168,028**	252,888
Deloitte Touche Tohmatsu		
Audit and other assurance services		
Audit and review of financial statements	**110,000**	-
Other assurance services	**12,000**	-
Total remuneration of external auditors	**122,000**	-
Total remuneration of external auditors	**290,028**	252,888

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. Changes to the Shareholders

On 12 July 2022, 85,710 ordinary shares in Adelaide Airport Ltd and Redeemable Preference Shares (RPS) in New Terminal Construction Company Pty Ltd were transferred between existing Shareholders, changing the proportion of Shareholder ownership. The Shareholder base remains unchanged as a result of this transaction.

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: +61 8 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 17 to 59 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Australian Accounting Standards – Simplified Disclosures 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 2022 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

Brenton Philip Vincent Cox
Director

Adelaide
27 September 2022

Deloitte.

Deloitte Touche Tohmatsu
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Adelaide, SA, 5000
Australia

Tel: +61 8 8407 7000
www.deloitte.com.au

27 September 2022

The Board of Directors
Adelaide Airport Limited
1 James Schofield Drive
ADELAIDE AIRPORT SA 5950

Dear Board Members,

Auditor's Independence Declaration to Adelaide Airport Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Adelaide Airport Limited.

As lead audit partner for the audit of the financial report of Adelaide Airport Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lee Girolamo
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060
11 Waymouth Street
Adelaide, SA, 5000
Australia

Tel: +61 8 8407 7000
www.deloitte.com.au

Independent Auditor's Report to the members of Adelaide Airport Limited

Opinion

We have audited the financial report of Adelaide Airport Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards – Simplified Disclosures and the *Corporations Regulations 2001.*

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 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, for the year ended 30 June 2022, 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 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, 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.

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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 – Simplified Disclosures 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 has 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lee Girolamo
Partner
Chartered Accountants
Adelaide, 27 September 2022

Purpose

Adelaide Airport - proudly connecting and shaping South Australia.

Vision

Everyone's favourite airport. Seamless. Connected. Easy.

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SA 5950
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