



# 2009 annual report 2010

 **Adelaide Airport**

# adelaide airport community

## vision

Adelaide Airport will be a successful, modern, vibrant Centre and Gateway, promoting the economic benefits and cultural experience of South Australia. Customer service, critical to our success, will be provided at the highest levels to our community and stakeholders. Our people will be continuously developed to provide them with the requisite skills and experience to perform their duties efficiently. The environment, safety and security remain paramount.

## mission

Adelaide Airport Limited develops and operates Adelaide and Parafield Airports as a business enterprise. We deliver safe and efficient facilities for passengers, aircraft, freight and property services for tenants and retailers, alongside general commercial developments.

## values

We will: conduct ourselves with integrity in a responsible manner, be efficient and practical, remain open and friendly, be responsive and respectful and consistently behaving in a positive manner.

## edge

We will thrive: by making timely and effective decisions, by developing innovative solutions, and through clear and consistent communication with all stakeholders.

Adelaide Airport Limited partners and sponsors a wide range of events and activities across the areas of community, the environment, business and tourism. We proudly support the needs and aspirations of organisations and individuals, some of which are depicted throughout this annual report, to help grow a vibrant and sustainable South Australia.

# business & tourism environment

Jin Xing Dance Theatre's Shanghai Beauty offered audiences an intriguing blend of Western influences and traditional Chinese artistry.

[www.adelaidefestival.com.au](http://www.adelaidefestival.com.au)



# adelaide festival & adelaide airport

2009  
2010

## company

Adelaide Airport Limited (AAL) purchased the operating

lease for Adelaide and Parafield Airports in May 1998, to operate the airports for the next 50 years with an option for a further 49 years. Adelaide Airport is the sixth largest international and fourth largest domestic airport in Australia. It is the aviation gateway to South Australia and handled 7.101 million passengers in the 2009/2010 financial year. Parafield Airport is South Australia's premier general aviation airport and is a major international training airport.

*Chairman* David Munt *Managing Director* Phil Baker

*Directors* John McDonald, Alan Mulgrew, James Tolhurst, John Ward and Jay Hogan

*Solicitors* Thomson Lawyers *Auditors* PricewaterhouseCoopers

*Shareholders* UniSuper Ltd - 38.51%, Local Government Superannuation Board - 16.15%, Motor Traders Association of Australia Superannuation Fund Pty Ltd - 28.35%, Others - 16.99%

*Subsidiaries* 100% Parafield Airport Limited, 100% Adelaide Airport Management Limited, 100% New Terminal Financing Company Pty Limited, 100% New Terminal Construction Company Pty Limited

*Registered Office* 1 James Schofield Drive, Adelaide Airport, South Australia 5950

*Phone:* +61 8 8308 9211 *Fax:* +61 8 8308 9311 *Email:* [airport@aal.com.au](mailto:airport@aal.com.au) *Website:* [www.adelaideairport.com.au](http://www.adelaideairport.com.au)

## contents

02 Chairman's report	10 Operations	26 People and culture
05 Year in brief	12 Property	29 Community
06 Managing Director's report	18 Financial performance	33 Corporate governance
08 Board of Directors	22 Parafield Airport	36 The future
09 Executives	25 Sustainability	



# adelaide airport & the smith family

## chairman

A year ago I reflected on the faltering international economy and the resilience of Adelaide Airport Limited (AAL) to rise above the financial turbulence.

I'm pleased to report that, not only have we successfully navigated this difficult period, but AAL is again experiencing record passenger numbers and solid growth across all of its operations.

Once again it has demonstrated the wisdom of AAL's prudent decision making and investment in both aeronautical and non-aeronautical business operations over several years.

As a result, AAL has been able to undertake a successful bond buyback in 2009/10 as part of our refinancing strategy, which will also provide access to funding to continue with our development plans. Ratings agencies Standard & Poor's and Moody's, having reviewed the company's long term projections and capital expansion plans, have since both reaffirmed our long term credit ratings at BBB / stable and Baa2 / stable respectively.

Our moderate but sustained passenger growth is often seen as the key 'headline' indicator of the airport's health. However, there have been several other factors that demonstrate positive results in 2009/10 and a bright future ahead.

While domestic airline traffic is the backbone of AAL's operations, significant business development activity has been invested in attracting more international services to Adelaide.

In early 2010 we greeted Adelaide's first Chinese commercial charter service operated by China Southern, one of the world's largest airlines. Later this year we will welcome our first charter services to and from Ho Chi Minh City operated by Vietnam Airlines.

In April, AAL hosted the Routes Asia aviation networking forum at the Adelaide Convention Centre, the first time this event has been held in Australia. The event attracted approximately 450 airport and airline decision makers from around the world, and proved to be an excellent opportunity to showcase our airport and the State as a potential destination.

The feedback received following Routes Asia has been excellent, and the company is confident it can build on this momentum and attract more international traffic to Adelaide.

Given our current passenger growth and potential for new business, the time is right to re-invest in our infrastructure through significant improvements to facilities in and around T1, and to ensure we remain one of Australia's most modern and customer friendly airports for years to come.

Meanwhile, AAL's strong emphasis on non-aeronautical activities, to balance the risks associated with operating a sustainable aviation business, has again been rewarded with further development and attraction of new business within Burbridge Business Park and Export Park.

AAL continues to play a major role in the local community by supporting charities, community organisations and sporting clubs. We were also proud to support Adelaide Zoo's 'Pandas on Parade' corporate partnership program, and played a pivotal role in the safe arrival of pandas Wang Wang and Funi in November 2009.

Adelaide Airport's contribution to the growth of South Australia's economy should never be underestimated. More than 8000 people are directly employed as a result of Adelaide Airport activities, of which approximately 5,200 work within the airport precinct, making it the largest single site employment precinct in the State.

Through our management of both Adelaide and Parafield airports, we remain committed to providing the highest quality aeronautical facilities in South Australia well into the future.

David Munt - Chairman



The Smith Family is committed to helping disadvantaged Australian children by unlocking opportunities through education and learning.

[www.thesmithfamily.com.au](http://www.thesmithfamily.com.au)

As an official 'Panda Keeper' for the arrival of Wang Wang and Funi, Adelaide Airport has helped to provide a future for pandas.

[www.wangwangandfuni.com](http://www.wangwangandfuni.com)



wang wang and funi &  
adelaide airport

#### Financial results

- Revenue, which includes interest - \$149.2 million (last year \$143.7 million)
- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties - \$91.6 million (last year \$87.1 million) an increase of 5.2%
- Net profit before tax of \$21.7 million (last year net loss before tax of \$4.2 million)
- Dividends on redeemable preference shares \$28.3 million (last year \$28.3 million)
- Increase in fair value of investment properties of \$12.6 million
- Credit Rating - Moody's maintained at Baa2 (stable); S&P BBB (stable)

#### Statutory Compliance

- Safety and Security regulatory audit compliance satisfactorily maintained
- Equal Opportunity for Women in the Workplace compliance satisfactorily maintained
- DITRDLG Lease review assessment satisfactory report
- Master Plan and Sustainability Plan for Adelaide approved
- Sustainability Plan for Parafield approved
- Minor Variation to the Hotel Major Development Plan approved

#### Airport Operations

- Moderate and sustained traffic growth exceeding 7.1 million passengers
- Initial successful operation of China Southern charter service
- QantasLink commenced services to Pt Lincoln
- Airport Watch test program conducted and maintained at Adelaide
- Airservices Australia commenced construction of new control tower
- Temporary Terminal Area RADAR (TAR) erected on site to enable upgrade to permanent TAR
- Services to Fiji ceased operations

#### Airport Operations *continued*

- De-risking works for the major movement area overlay project completed
- Landside Infrastructure Project advanced to design phase
- ABaSS data collection installed at Parafield
- Flight Training Adelaide extension to aircraft parking apron - Parafield
- Taxiway Lighting upgrade at Parafield

# year in brief

#### Property Development

- Partnership with SA Water and City of West Torrens to construct shared pathway - opened during the year
- Additional tenant fit-out in T1 to accommodate four new retail outlets

#### Other Notable Events

- Successfully facilitated the first ever Routes Asia aviation networking forum in Australia
- Awarded the Australian Airports Association Awards for Excellence as the Capital City Airport of the Year
- Memorandum of Partnership with University of Adelaide Clean Energy Technology cluster for Research and Development projects on use of sustainable energy in the aviation scene

2009  
2010

# managing director

Notwithstanding the lingering problems with the global financial situation and incredible one off events such as the Icelandic volcano, Adelaide Airport Ltd continued to enjoy moderate but sustained traffic growth. For the first time overall passengers exceeded the 7 million mark in a financial year. Our final total of 7.1 million was 3.2 per cent above the previous period.

Behind the scenes, a lot of management effort was directed towards planning on a number of fronts. For the long term, we submitted and had approved by the Federal Minister for Transport our Master Plan and Sustainability Strategy for Adelaide Airport. The latter document was also approved for Parafield Airport. They each remain valid for the next five years (or until further reviewed for exceptional circumstances). In the more immediate future a Major Development Plan was prepared and placed on public display for a new multi-deck car park, with associated new road layout and adjacent pedestrian plaza. Subject to Ministerial approval, we hope to begin construction towards the end of the 2010 calendar year.

On an even shorter timescale, a significant amount of planning has gone into our runway maintenance resurfacing programme, which is now under way and will run until March 2011, with the majority of the work actioned during the night curfew period.

Results were again mixed in the three traffic segments. Interstate traffic grew at a modest rate with the low cost carriers gradually

boosting their joint market share. Regional intrastate traffic began to show signs of recovery towards the end of the year, particularly with the introduction of QantasLink. The final year end total was only just below last year's achievement.

On the other hand, international traffic was a healthy 9 per cent up on the previous year, boosted by additional services to Bali and Fiji with Pacific Blue, the first of hopefully a number of ad hoc charter services to destinations such as China, and improved load factors, no doubt underpinned by the recent dollar exchange rates against other major currencies favouring holidays abroad for local residents.

AAL successfully bought back and replaced the major portion of our long term debt towards the end of 2009, underpinned by reconfirmed ratings from Moody's and Standard & Poor's agencies.

The 2009 Draft Master Plan for Parafield Airport was not approved by the Minister and we now have two years in which to resubmit a 'fresh' document. In the meantime the current plan remains in force.

Flight Training Adelaide (FTA) continues to trade well despite the impact of the global financial crisis on some customer airlines.

As the year ended we were very close to final agreement on two important initiatives of our sustainability strategy - a three-year sponsorship of the University of Adelaide for research and development into (alternative) renewable energy initiatives and a separate agreement with SA Water for on-airport aquifer storage and recharge development.

Looking to the future, the coming period will see a lot of construction activity on site as work gets underway on the new road system, multi-deck car park and pedestrian plaza. A number of building demolition and relocations will precede construction, including General Aviation facilities, freight and maintenance organisations and some public car parking. At the same time, the new control tower is being built and work will commence on a new facility for the Australian Federal Police near Export Park.

Due to these works, and despite our best endeavours, there will be occasions when our normal high level of service to the public will be compromised. We will obviously keep such disruption to a minimum and inform the public of any changes as we progress.

Once this exterior work plan is completed, we will begin work on extending T1 itself, adding new gates and increasing international capacity. In the meantime, some airlines will have modernised their check-in arrangements and changes to security screening procedures will be evident inside the terminal.

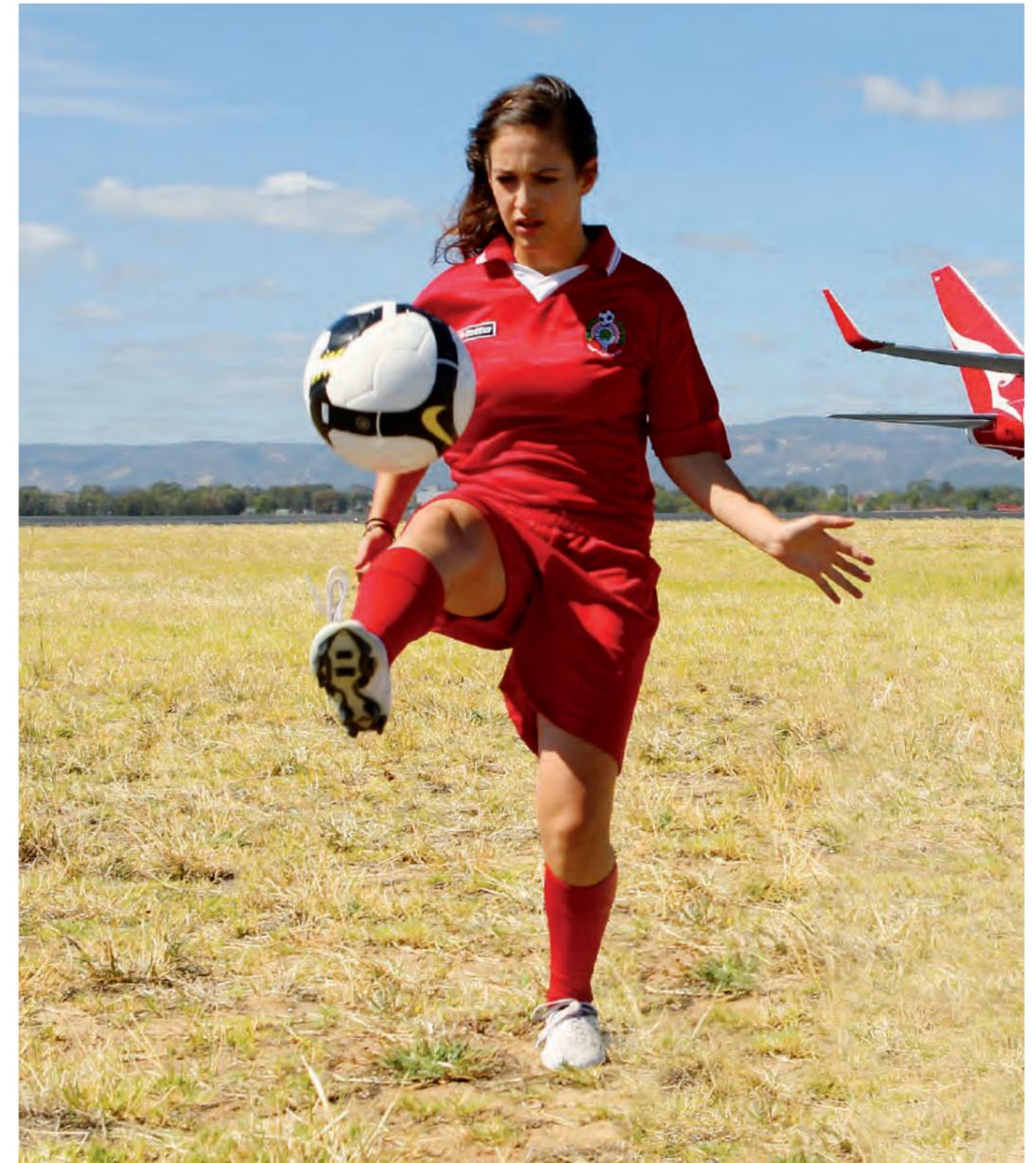
The end result will be an even better first-class gateway to Adelaide and South Australia.



Phil Baker

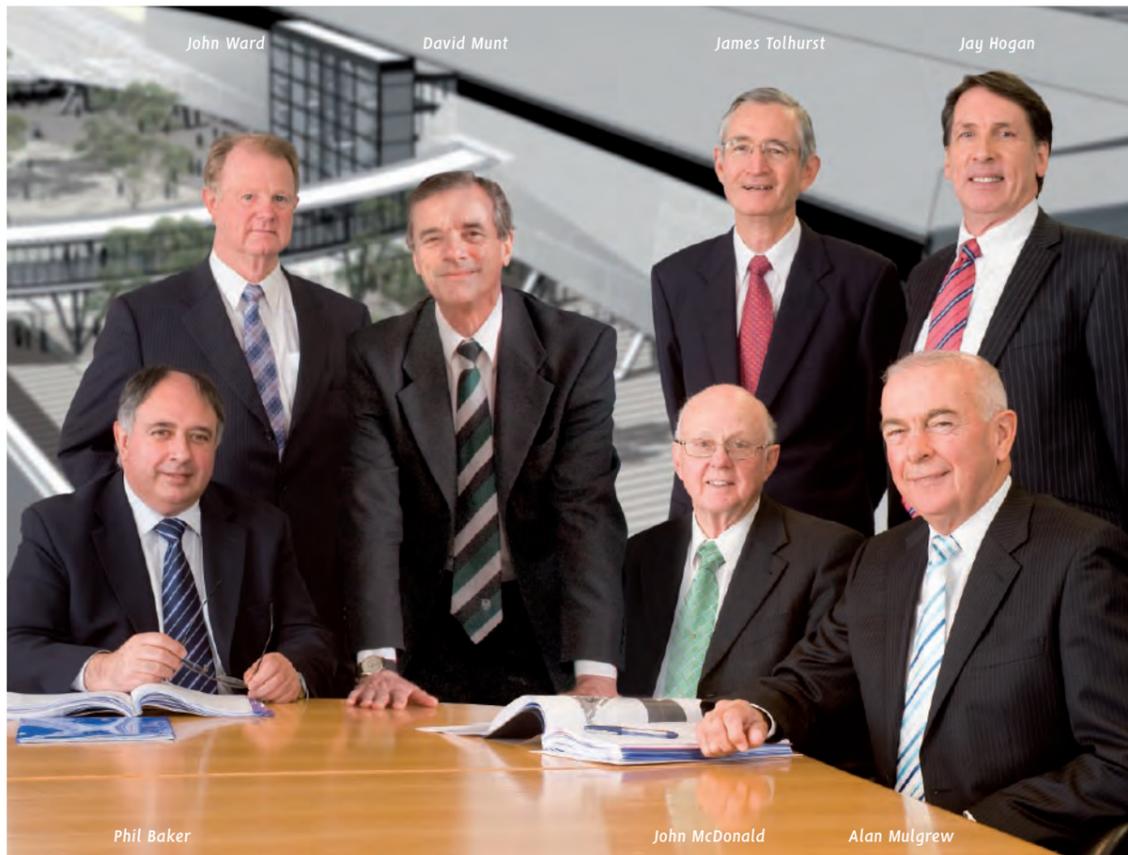
The Adelaide Airport Women's Premier League encourages participation and broadens involvement in Australia's fastest growing sport.

[www.womens.ffsa.com.au](http://www.womens.ffsa.com.au)



& women's premier football  
adelaide airport

# the board



## David Munt LL.B(HONS)

Non-executive Director and Chairman, appointed 30 June 2004  
Chairman Remuneration Committee  
Chairman Property Development and Building Committee

## Phil Baker FCILT, FAICD

Managing Director, appointed 24 April 1998  
Member Property Development and Building Committee

## John Ward BSC, FAICD, FAIM, FAMI, FCILT

Non-executive Director, appointed 28 August 2002  
Member Remuneration Committee  
Member Property Development and Building Committee

## John McDonald DIP TECH, FCA, FASA, CPA, FAICD, FIAA

Non-executive Director, appointed 29 July 1998  
Member Property Development and Building Committee  
Member Audit and Compliance Committee

## James Tolhurst B.COMM, MBA, FCPA, FCIS, FAICD

Non-executive Director, appointed 29 September 2004  
Chairman Audit and Compliance Committee  
Member Remuneration Committee  
Member Property Development and Building Committee

## Jay Hogan MBA, AFAMI, JP

Non-executive Director, appointed 29 July 2009  
Member Property Development and Building Committee

## Alan Mulgrew BA, GRAICD, JP

Non-executive Director, appointed 6 September 2006  
Member Property Development and Building Committee



## Phil Baker MANAGING DIRECTOR

Executive Team leader and full Board member responsible for implementing group strategies and policies.



## Mark Young CHIEF FINANCIAL OFFICER

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



## Sue Doyle GENERAL MANAGER PEOPLE AND CULTURE

Responsible for human resources, industrial relations, staff training and development, occupational health & safety, service quality, internal branding and executive and administrative services.



## Len Goff COMPANY SECRETARY

Responsible for corporate administration, accounting, statutory and regulatory financial reporting.



## Malcolm Andrews GENERAL MANAGER BUSINESS DEVELOPMENT

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



## John McArdle GENERAL MANAGER CORPORATE AFFAIRS

Manages, interprets and facilitates the community consultation, communication, regulatory and statutory responsibilities. Facilitates corporate risk policy, business continuity and review.



## Ken May GENERAL MANAGER PROPERTY

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



## Vince Scanlon GENERAL MANAGER AIRPORT OPERATIONS

Responsible for aviation safety, security and regulatory compliance, terminals and car park operations, infrastructure and facility management, project management and engineering of both aviation and commercial developments.

# operations

## Aeronautical traffic performance

	Financial Year 1997/98	Financial Year 2007/08	Financial Year 2008/09	Financial Year 2009/10	Change this Year %	Change last 12 Years %
<b>Passengers</b>						
Domestic*	3,379,118	5,694,184	5,861,220	6,040,735	3.1%	78.8%
International**	258,488	541,856	543,222	593,193	9.2%	129.5%
Regional	366,325	546,177	531,461	525,152	- 1.2%	43.4%
<b>Total PAX</b>	<b>4,003,931</b>	<b>6,782,217</b>	<b>6,935,403</b>	<b>7,159,080</b>	<b>3.2%</b>	<b>778.8%</b>
<b>Aircraft Movements</b>						
Regular Public Transport	70,204	76,176	75,353	75,412	0.0007%	7.4%
General Aviation	35,076	27,009	24,651	22,125	- 10.25%	- 36.9%
<b>Total Aircraft Movements</b>	<b>105,280</b>	<b>103,185</b>	<b>100,004</b>	<b>97,537</b>	<b>- 2.5%</b>	<b>- 7.4%</b>
<b>Landed Tonnes</b>						
<b>Total Landed Tonnes</b>	<b>1,622,681</b>	<b>2,276,273</b>	<b>2,282,578</b>	<b>2,250,785</b>	<b>-1.4%</b>	<b>38.71%</b>

\*Includes Domestic On Carriage \*\* Includes Transits

## Freight

	Export Tonnes	Variations	Import Tonnes	Variations
Jan - Dec 05	7,818	= 8.3%	9,075	= 15.1%
Jan - Dec 06	9,379	= 19.9%	10,039	= 0.6%
Jan - Dec 07	8,582	= -8.5%	9,090	= -9.4%
Jan - Dec 08	10,113	= 17.8%	9,340	= 2.7%
Jan - Dec 09	11,719	= 15.9%	9,017	= -0.03%

Whilst there were fears associated with the escalating fuel costs and fallout from the global financial crisis, in the end, neither of these had any major impacts on the aviation industry in our region. The exception to this was a continued downward trend of activity in the regional market in the first half of the year.

## International Markets

Disappointingly, this year saw the cessation of direct services to Fiji. All other routes continued to perform well and the market grew by 8.7 per cent for the year. It is likely that without the impact of the Icelandic Volcano eruption, which disrupted many travelers' plans, the sector may well have seen stronger growth.

In a quest for more non-stop services, AAL continues to pursue new route options with the focus remaining on United Arab Emirates, Thailand, Vietnam and China.

## Domestic Market

Buoyed by the continued growth of Tiger Airways, the domestic sector performed above forecast with 3.7 per cent growth for the year. Even though no new routes were added, the primary markets of Sydney, Melbourne, Brisbane and Perth continued to grow with capacity being added on the Gold Coast and Cairns sectors.

By financial year's end there had been some withdrawals of services by Tiger Airways from Alice Springs and Perth; Hobart was to be withdrawn in August, together with Gold Coast and Brisbane in November. Nevertheless, expectations are that the domestic market will continue to show reasonable growth during FY2010/11, as Qantas, Virgin Blue and Jetstar, with a combined total of some 450 departures per week, look to the future.

Special Olympics Australia IX National Games celebrated the lives of people with intellectual disability through participation and competition.

[www.specialolympics.com.au](http://www.specialolympics.com.au)



& special olympics  
adelaide airport

Adelaide Youth Orchestra provides close to 200 talented young SA musicians with orchestral training, life skills and education.

[www.adyo.com.au](http://www.adyo.com.au)



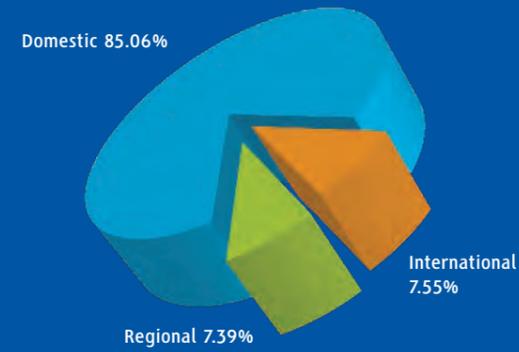
adelaide youth orchestra &

adelaide airport

operations continued

### Regional Market

After a continued downturn in the first half of the year, competition on the Port Lincoln route, with the recommencement of services by QantasLink, saw by year's end, a significant turn around. This, coupled with some growing confidence returning across the sector, provides positive signs for the future of regional aviation in South Australia.



### Quality of Service

Adelaide Airport continues to rate highly in the various quality-of-service surveys conducted throughout the year.

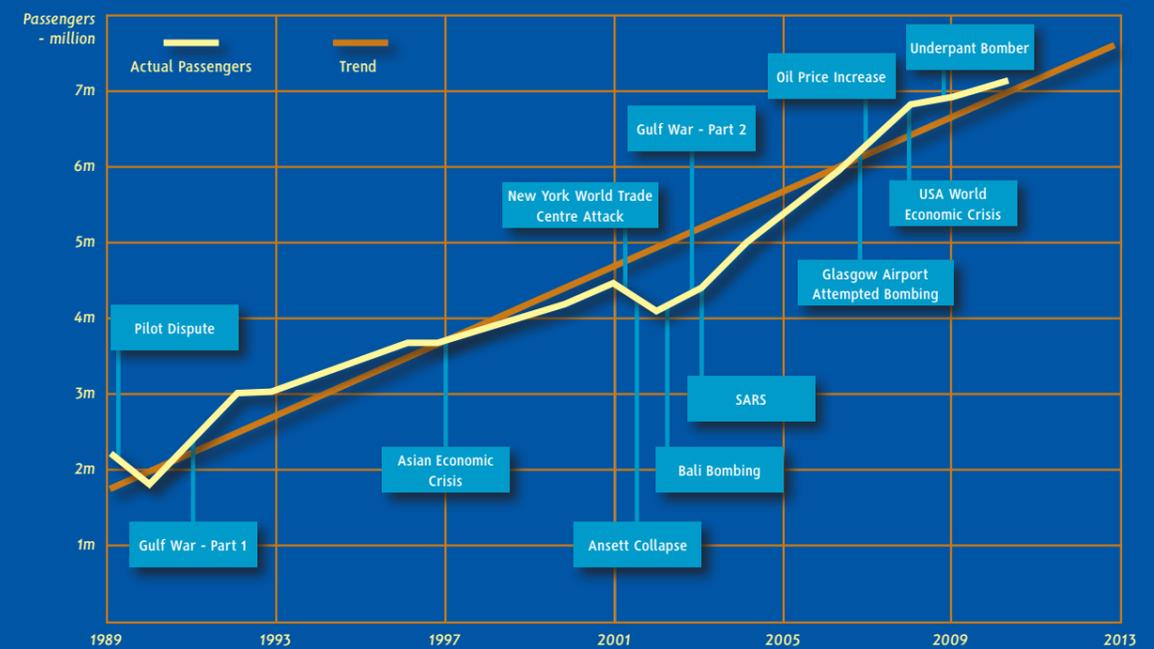
The mandatory review required by the Australian Competition and Consumer Commission is contracted to the Adelaide TAFE diploma year of International and Tourism studies, which conducts two surveys during the year to coincide with the changes to the northern winter and summer schedules.

The students interview a cross-section of passengers from international, domestic and regional sectors within the terminal. The results are collated and presented by the senior lecturer in table format mirroring the reporting requirements of the ACCC.

We are pleased to see that in all of the reporting criteria, Adelaide Airport rates between very good and excellent.

We also contract to the Airports Council International as a peer assessment on quality of service across 34 categories, with ratings from '5' for excellent to '1' for poor. Adelaide Airport rates on average between 3.5 and 4.2.

### Adelaide Airport passenger movements



2009 2010

# property

## Terminal 1 Retailing and Concessions

During 2009/10, considerable tenancy variations and refurbishments were undertaken to shops and concessions in Terminal 1 (T1), including:

- A new tenancy to Dreamy Donuts from December 2009;
- Remodeling of Land Side Duty Free to cater for the new Smiggle stationery and Bijou Terner jewellery stores;
- Re-configuration of the international concourse to provide new shops for a Relay newsagency, Travelex currency exchange, re-branding and extensions to Villa and Hut Kafe, and allowing future relocation and revamping of the Tourist Refund Scheme (TRS) booth;
- Refurbishment by Delaware North of its Hungry Jacks, 1862 Bar and Café Terra Rosa stores;
- Implementation of a Net Kiosk internet service integrated with Cibo Café and installation of a Juice Box telephone charging kiosk; and
- The transfer of the former SA Tourism booth to Travelers' Easy-Go Information Desk and Hospitality and Travel Booking Service.

'T1 Shopping' has, for the fourth year in a row, achieved a Property Council of Australia 'Excellence in Marketing' Award for its iconic South Australian identities campaign entitled 'Make the Most of the Moment'.

An inaugural Environmental Excellence Award from the Property Council of Australia for 'Shopping Centres up to 10,000m<sup>2</sup>' was also achieved for environmental innovation, recognising the varying sustainable attributes of solar panel arrays, recycled water, waste separation services and energy efficiency within T1.

Other retail marketing initiatives have included a 'Win a Pandaventure' competition to coincide with the arrival of two pandas in Adelaide. An associated retailer competition attracted total donations of \$25,000 for the Adelaide Zoo.

T1 also hosted fashion parades, regular performances by local musicians and a Special Olympics display, all providing theatre and entertainment to the 'T1 Shopping' retail concourse during 2009/10.

## Airport Master Planning

The Adelaide Airport Master Plan was approved by the Commonwealth Government in November 2009. The Master Plan included a development format aligned to State Planning criteria, new names to clarify the geographical location of each precinct, sustainable development design criteria, detailed traffic and transport accessibility, and identification of further commercial development opportunities.

A minor variation of the previously approved 2008 Major Development Plan for an airport hotel was approved in May 2010, thereby re-aligning the site alongside the intended new terminal plaza and new multi-deck car park and increasing possible height parameters to 42 metres (AHD).

## Terminals Precinct

Arrangements were concluded in the first half of 2010 for DHL Express to vacate its existing premises on Sir Richard Williams Avenue to facilitate the future development of roadway re-configurations for the intended new multi-deck car park and pedestrian plaza adjacent T1. Similarly, Toll D'nata agreed to relocate to Export Park and the Toll Priority premises in Burbridge Business Park.

AAL also negotiated with occupants of the General Aviation Terminal, including Air South and Dick Lang Desert Air Safaris, to relocate to temporary premises pending re-occupation of their tenancies in the new general aviation site in the vicinity of the former domestic terminal site.

Substantial alterations have started on an existing administration building to the south west of T1 to provide aviation offices for Alliance Airlines, Sharp Airlines and Cobham Aviation.

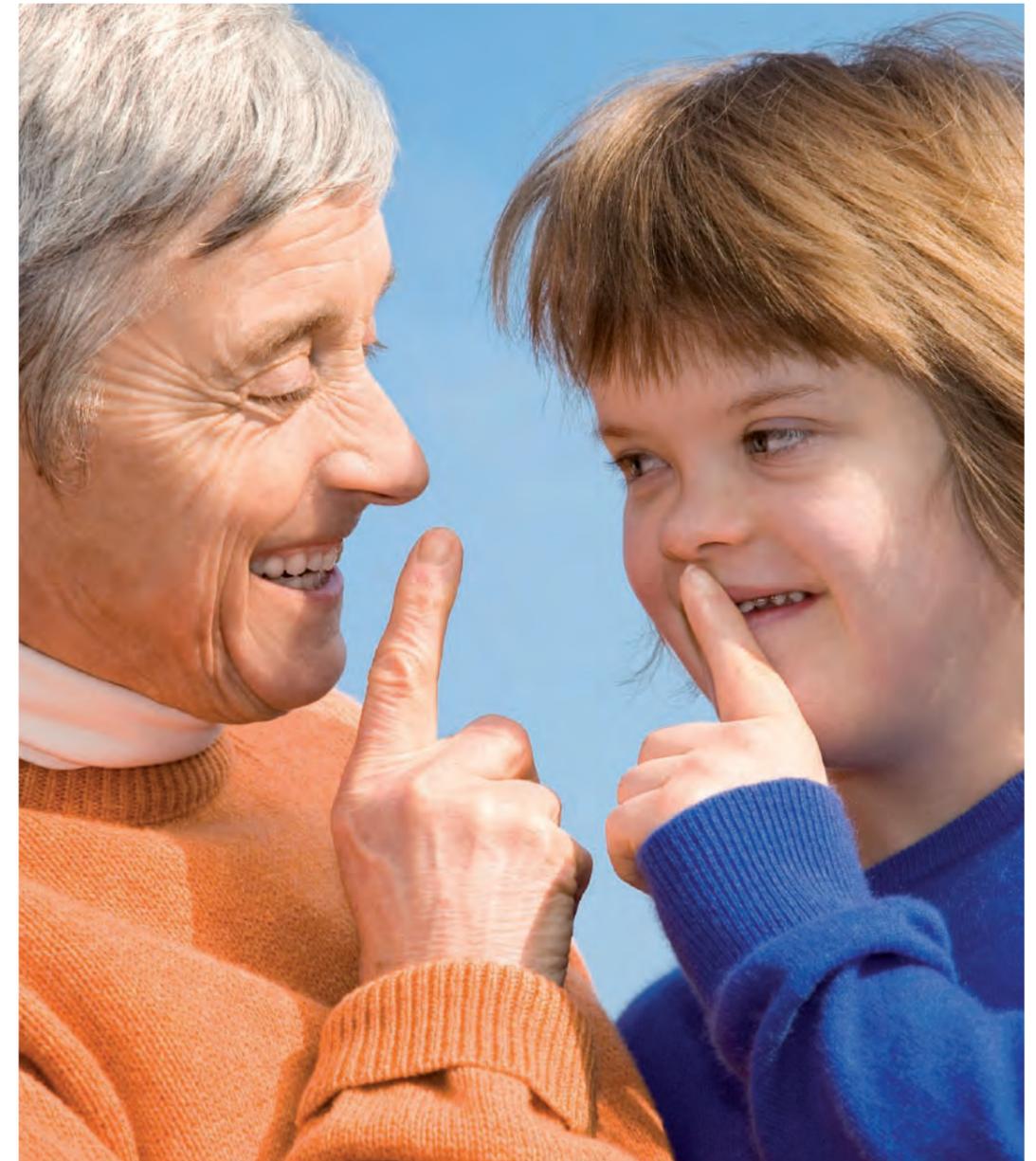
Export Park buildings, along with the specialist cold store facility acquired by AAL in 2009, were re-painted to be consistent with the T1 colour scheme.

Commercial arrangements have been reached with the Australian Federal Police for the pre-commitment lease of a new three-level office development to be located at Export Park near the existing AQIS premises. Construction is expected through 2011 with completion in 2012.

Arrangements were settled with the Adelaide Airport Sports and Social Club to vacate its premises at James Schofield Drive on 30 June 2010, with a view to facilitating its relocation to existing sporting facilities within nearby Adelaide Shores at West Beach.

Regional Disability and Ageing Expos make a positive impact on the lives of people with a disability and older members of the community.

[www.dircsa.org.au](http://www.dircsa.org.au)



& disability & ageing expos

adelaide airport

Surf Life Saving SA's core responsibility and mission is to prevent the loss of life on our beaches through education, prevention and rescue.

[www.surfrescue.com.au](http://www.surfrescue.com.au)



surf life saving sa &  
adelaide airport

property continued

#### Burbridge Precinct

A new 11,000m<sup>2</sup> twin office/warehouse development in the Burbridge Precinct was completed in August 2009, with Agility Logistics now occupying part of the facility. The development features substantial ESD attributes including water re-use, energy efficiency, vertical sun-shading and translucent 'sheeting' for natural light within the warehouse.

Substantial clearing of earthen mounding, left over from the first stages of the Business Park infrastructure development, was also completed together with modifications to a vehicle traffic roundabout on Vimy Avenue. This has enabled gazettal of all completed roadways for use by B-Double articulated vehicles.

#### Patawalonga Precinct

Following environmental and hydrological assessments, agreement in principle was reached with the City of West Torrens for the future construction of stormwater detention facilities on a 3.3 hectare site to the west of the remnant Patawalonga Creek. Flood mitigation measures are programmed for construction over the next several years.

#### Holdfast Precinct

A shared-use bicycle and pedestrian path extending along the Brownhill Creek easement from Watson Avenue, Netley to Tapleys Hill Road was officially opened in April 2010. The path is a joint initiative of AAL, the City of West Torrens, SA Water and Department of Transport, Energy and Infrastructure.

Arrangements have been made with SA Water for the development of a 1 gigalitre Aquifer Storage Recovery (ASR) water harvesting scheme along the southern boundary of Adelaide Airport. This has been supported by a Federal/State Government grant of \$9.7 million. This project, to be completed in 2012, will provide a distribution network of treated stormwater through a number of development precincts and areas surrounding the Airport.

#### Morphett Precinct

Construction has commenced on Manuele Engineering's 18,000m<sup>2</sup> steel fabrication complex on a 4.5 hectare site facing Morphett Road and James Melrose Road. Practical completion and occupancy is expected in early 2011.

#### Airport East

The redevelopment of an old office and warehouse complex for the future occupancy of DHL Express, adjacent to Richmond Road, is currently underway with works due for completion in October 2010. Jaymel Engineering has relocated from this building to a previously vacant nearby warehouse, which itself has undergone substantial interior retro-fitting.

An earthen landscaped mound and timber fencing have been constructed facing Morley Street, West Richmond, to provide acoustic separation between nearby off-airport residential premises and future airport industrial development and airfield operations.

#### Parafield Airport

Development within Airport City Parafield in the Commercial Estate Precinct saw new retailing tenancies offered to Bed-e-Buys and Just Spas.

Work was completed on a liquor storage warehouse at the rear of Roulettes Tavern, with additional storage also constructed at a nearby bulky goods retailing store.

2009  
2010

# financial performance

## Financial Performance Report

	2006	2007	2008	2009	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income Statement</b>					
<b>Revenue</b>					
Aeronautical	46,369	69,570	75,431	79,209	81,862
Commercial trading revenue	17,643	23,876	27,504	28,124	30,344
Property Revenue	24,437	24,556	27,442	30,834	32,758
Other Revenue	5,718	1,393	3,515	1,676	1,678
Other Income	829	874	734	2,504	833
<b>Total Revenue #1</b>	<b>94,996</b>	<b>120,269</b>	<b>134,626</b>	<b>142,348</b>	<b>147,475</b>
Increments/(decrements) in fair value of investment properties	(2,278)	7,803	21,100	(10,039)	12,632
Operating Expenses	(36,357)	(45,521)	(51,465)	(55,267)	(55,908)
EBITDA	56,361	82,551	104,261	77,042	104,199
EBITDA (Adj) #2	58,639	74,748	83,161	87,081	91,567
Margin	61.7%	62.2%	61.8%	61.2%	61.4%
Depreciation and amortisation	(15,211)	(17,825)	(18,015)	(19,263)	(17,808)
EBIT	41,150	64,726	86,246	57,779	86,391
<b>Borrowing Costs</b>					
Interest on senior debt, net of interest income	(26,900)	(31,601)	(32,212)	(33,781)	(36,374)
Interest on Airport Notes/Dividends on RPS	(26,214)	(28,285)	(28,362)	(28,284)	(28,284)
<b>Net Profit/(Loss) Before Tax</b>	<b>(11,964)</b>	<b>4,840</b>	<b>25,672</b>	<b>(4,286)</b>	<b>21,733</b>
Income Tax (Expense) Benefit	897	(4,383)	(10,214)	45	(6,465)
<b>Net Profit/(Loss) After Tax</b>	<b>(11,067)</b>	<b>457</b>	<b>15,458</b>	<b>(4,241)</b>	<b>15,268</b>

#1 Revenue presented above excludes interest revenue #2 excludes adjustment in fair value of investment properties

### Some noteworthy aspects are:

- Earnings before interest, tax, depreciation and amortisation and fair value adjustment of investment properties - \$91.6 million (last year \$87.1 million) an increase of 5.2%.
- Net profit before tax of \$15.3 million (last year net loss before tax of \$4.2 million). Excluding the fair value adjustment for investment properties the net profit before tax this year is \$9.1 million (last year \$5.6 million)
- Dividends on redeemable preference shares \$ 28.3 million (last year \$28.3 million)
- Increase in fair value of investment properties of \$12.6 million (last year decrease of \$10.0 million)
- Credit Rating - Moody's maintained at Baa2 / stable

### Cash Flow

After funding interest on borrowings and dividends on RPS, cash flow from operating activities was a positive \$31.1 million (last year \$13.4 million).

After funding capital expenditure a net increase of \$23.7 million resulted in cash balances at year end of \$73.1 million (last year \$49.4m). Of this balance \$11.3 million (last year \$11.1 million) is quarantined in a debt service reserve account.

The South Australian Museum Biodiversity Gallery has been showcased through a giant wall mural in the international arrivals area.

[www.samuseum.sa.gov.au](http://www.samuseum.sa.gov.au)



& sa museum biodiversity

adelaide airport

2009  
2010

The City of West Torrens' free family event series, Music in the Park, featured musicians, entertainment and outdoor movie screenings.

[www.wtcc.sa.gov.au](http://www.wtcc.sa.gov.au)



music in the park &  
adelaide airport

financial performance continued

#### Balance Sheet

Year ended 30 June	2009 (\$million)	2010 (\$million)
Cash	49.4	73.1
<b>Total Assets</b>	<b>871.0</b>	<b>895.6</b>
Interest Bearing Liabilities <i>(excl stapled securities)</i>	524.5	526.6
<b>Total Liabilities <i>(excl stapled securities)</i></b>	<b>635.3</b>	<b>646.8</b>
<b>Total Equity <i>(plus stapled securities)</i></b>	<b>235.7</b>	<b>248.8</b>

There has been an increase in net assets resulting from:

- An increase in cash as outlined above
- An increase in the fair value of Investment Property of \$12.6 million
- A decrease in Property, Plant and Equipment being the net impact of asset additions / disposals and depreciation
- A decrease in the mark to market value of interest rate hedges.

With respect to the increase in the fair value of investment properties and the decrease in the mark to market value of interest rate hedges it is important to note that:

- There are no cash flow implications associated with these accounting adjustments
- Investment properties are held for the full term of the Airport Lease and are not stock held for resale
- The interest rate hedges are hold to maturity instruments and at maturity there will not be any mark to market adjustment.

The Group's total of equity and RPS (being stapled securities) stands at \$248.8 million at the end of the year (last year \$235.7 million).

#### Other Matters

##### Capital Structure

Issue	Amount (\$million)	Term
Medium Term Note	\$32.5	Dec 2010
Medium Term Note <i>(\$100m fixed interest)</i>	\$265.0	Sep 2016
Medium Term Note <i>(\$235m floating interest)</i>	\$235.0	Sep 2015
Working Capital Facility <i>(\$20.0m available at year end)</i>	\$20.0	Dec 2010
RPS	\$188.6	Jun 2014

The working capital facility expires in December 2010.

##### Interest Rate Management

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

The Group has effectively fixed the interest rate on approximately 90% of outstanding debt (exposed to variable interest rates) to December 2015 with approximately 40% fixed thereafter to September 2016.

Average fixed interest rate paid was 6.5% (last year 6.5%).

##### Ratings

The long term finance strategy of the Group continues to be reviewed by the rating agencies, Standard and Poors and Moody's. The BBB / stable and Baa2 / stable rating has been maintained.

##### Annual Report for 12 Months to 30 June 2010

The Annual Report for the 12 Months to 30 June 2010 comprising:

- Director's report
- Auditor's independence declaration
- Financial report
- Director's declaration
- Independent auditor's report to members

is available on the company's website [www.adelaideairport.com.au](http://www.adelaideairport.com.au). Alternatively a copy may be obtained from the Company Secretary.

2009  
2010

# parafield airport

During the year under review, Chris Griffiths was appointed as Manager - Parafield, as part of a restructure within the company.

The Manager is responsible for all airport functions at Parafield, both aeronautical and commercial, with an emphasis on the operational nature of the airfield and its interaction with the community.

Mr Griffiths brings a strong background in airfield operations and managerial experience to this position, having been involved in the aviation industry for a substantial part of his career.

He will further develop the consultative processes and mediums to all stakeholders, raising the profile of the airport as a significant contributor to the social and economic fabric of the community.

Noel Wellman, who has held the fort at Parafield Airport for the past 10 years, has relocated to Adelaide Airport in a high profile Property and Commercial role.

The gathering of accurate statistical details on aircraft movements at Parafield, recognised as a key issue in Minister Albanese's decision not to approve the 2009 Master Plan, moved a step closer with the installation and successful operation of the new Aircraft Billing and Surveillance System (ABaSS).

This system enables the collection of precise data covering airport usage by all aircraft accessing the runway systems, by taking a photograph of the aircraft at any time of the day or night. This photographic proof minimises human error or manipulation of data.

An added bonus is an improvement in safety and security as any movement to or from the runways is recorded. Experience at other airports has shown the aircraft operators are less likely to avoid using mandatory broadcasts in the area if they know their aircraft is being photographed.

This new system will provide irrefutable proof of movement and will be a major tool in being able to accurately assess aircraft movement 24 hours per day, seven days per week. Within the first month of operation the system identified 5 per cent more movements than previous sources were able to identify.

AAL has identified over many years that the ANEF and flight path lines on maps do not tell the true story and has been supportive of the community in recognising that noise is heard over a much wider corridor.

In that regard, we have been working with several experts in the field of noise exposure and have developed indicative maps for the Parafield area that clearly show what the community has been saying for years - that they are exposed to over-flights and associated noise more than the ANEF and flight path lines indicate.

Consequently, as a guide to where aircraft fly around and into and out of Parafield Airport now and in the future, maps showing the density of over-flights from arriving, departing and circuit training aircraft have been developed, delivered to major stakeholders, displayed on the AAL web site and made available to the community.

These maps are based on the theoretical maximum total number of aircraft movements that could occur at Parafield (455,000). They are also of assistance to people considering living in and around the airport, by advising them of the likely number of over-flights that they may expect.

In regard to flight training, there has been a delayed effect of the global financial crisis with numbers of pilot trainees being down on this time last year. However, this is expected to rebound with the resurgence of the Asian economies.

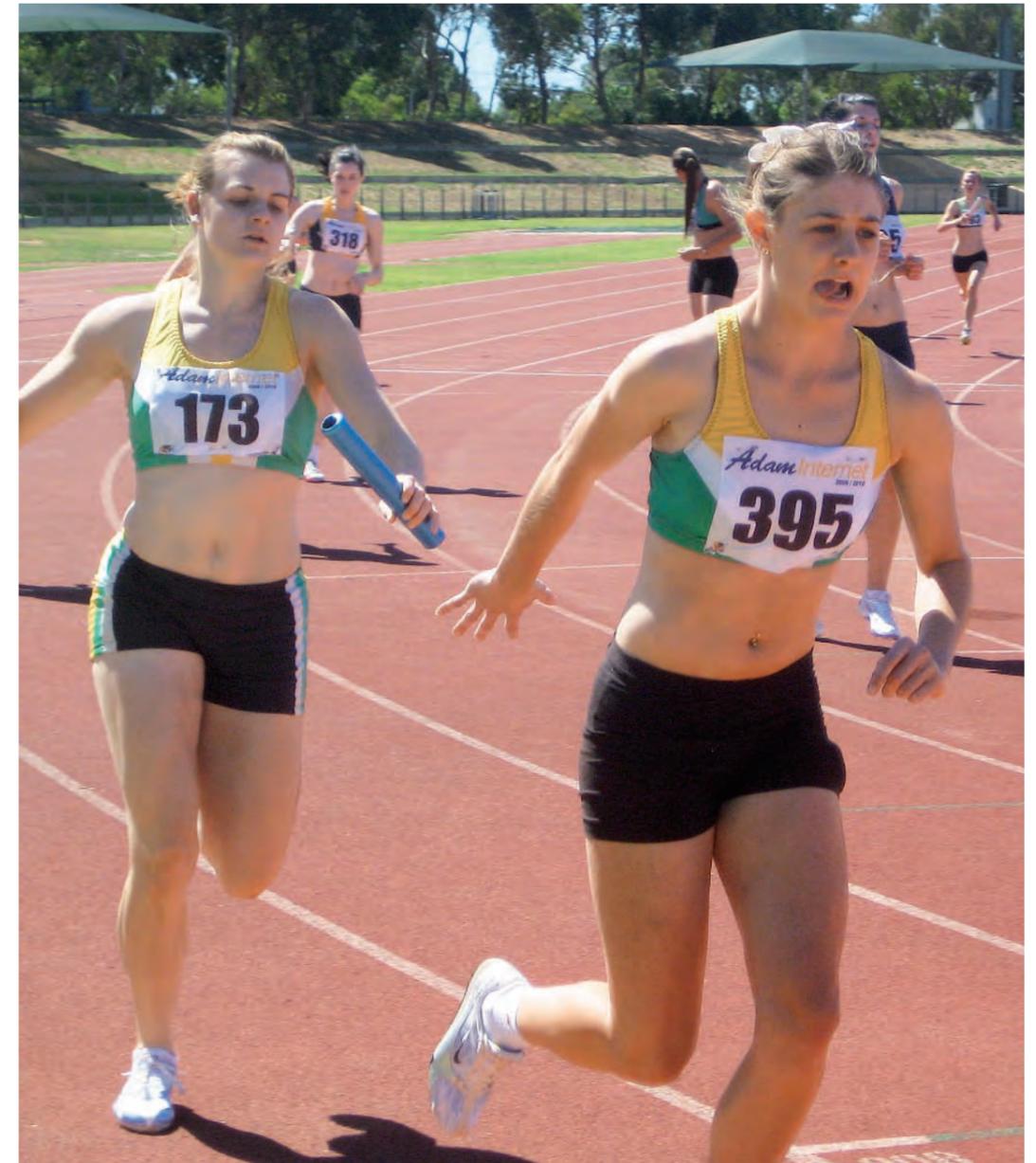
The Civil Aviation Safety Authority (CASA) has forwarded a media release advising of its intentions to improve safety at all GAAP Aerodromes with new directions issued to Airservices Australia to come into effect from 21 July 2009. These directions included restrictions in circuit training to a maximum of six aircraft on any runway being controlled by any one controller, an immediate requirement for all aircraft to obtain ATC clearance prior to entering, crossing or taxiing along a runway, and a requirement that Airservices provides ATS daily for the hours of daylight with all GAAP aerodromes moving towards Class D air traffic control by April 2010 (actually came in on 4 June 2010).

Parafield Airport also hosted a very popular community air show during March 2010.

Commercial development remains positive and has been supported by the recognition of available airport land as a land bank in the State Government's 30 Year Plan for Greater Adelaide.

Salisbury Amateur Athletics Club is committed to the development, promotion and enjoyment of the sport of athletics in the northern suburbs.

[www.salisburyathletics.com](http://www.salisburyathletics.com)



& salisbury athletics  
adelaide airport

Trees for Life has propagated a million trees a year since 1981 to revegetate and protect remnant vegetation across South Australia.

[www.treesforlife.org.au](http://www.treesforlife.org.au)



trees for life &  
adelaide airport

# sustainability

The key achievements from AAL's Sustainability Program in the 2009/10 financial year are:

- Receipt of the Australian Airports Association Award for Excellence in recognising the implementation of planning and data management tools for wildlife hazard management;
- Collaboration with SA Water to develop a detailed design for a large-scale stormwater harvesting and aquifer storage scheme;
- Initiation of field trials for mini-wind turbine testing;
- Implementation of high priority actions from the Terminal 1 water & energy audits;
- Drafting of a waste management strategy for Terminal 1;
- Review of stormwater management for both airports;
- Continuation of a rehabilitation program for the extended Patawalonga Creek Conservation Zone; and
- Drafting of a heritage management strategy.

AAL has entered into a sponsorship-type partnership with the University of Adelaide's Clean Energy Technology cluster. This three-year sponsorship agreement is funded in lieu of AAL purchasing carbon offsets. The collaborative vision is to:

- Undertake research activities to support the development of novel clean energy (low greenhouse gas emitting) technologies and practices that support both AAL's drive to be the greenest airport in Australia and CET's objective to undertake world-leading research in its fields of strength;
- Provide high-profile to the partnership, both by contributing to the support of a wide range of leading sustainable energy programs and by promoting its activities; and
- Develop a deep and mutual understanding of each organisation's strategic direction and capabilities so that they can jointly generate new ideas, approaches and solutions to achieve their common goals and objectives.

One of the first objectives under the agreement is for the CET to develop novel technologies that have strong potential to contribute to achieving the objectives and goals of AAL's 2009 Master Plan and Sustainability Plan (2009-2014), namely:

- To the reduction of baseline electricity consumption in T1 and other buildings occupied by AAL by 5 per cent by 2014; and
- To increase on-airport generation of renewable energy in the first instance, but also including the use of renewable energy generated off-site.

Electricity forms the dominant portion of AAL's carbon footprint. In 2009 it constituted 95 per cent of total NGER emissions. An initial review of AAL's base electricity usage data for 2010 shows a decrease of 2 per cent on last year's total, which is pleasing in the context of the continued growth of the airport.

The 114 kilowatt photovoltaic solar panel array on the T1 roof has performed to specification since its commissioning in June 2008. During 2009/10, more than 150,000 kWh of electricity was generated by the system, which has helped to avoid the generation of at least 115,000 kg of CO<sub>2</sub>. AAL has registered the system as a power station, which facilitated entry into the Renewable Energy Certificate market. AAL proposes a grants program augmented by the sponsorship policy to invite community involvement and to be able to demonstrate the sustainable benefits that any grant would bring to their community.

Late in 2009 the Commonwealth Government awarded SA Water \$4.8 million to fund the development and implementation of a 400 million litre airport stormwater harvesting and aquifer storage scheme. This scheme is based upon the Airport Water Strategy developed by Wallbridge and Gilbert in 2007/08. Detailed design is well underway and a number of groundwater wells have already been installed on the southern boundary of the airport in preparation for the commencement of construction works. By using stormwater as an alternative water supply for cooling systems, significant reductions in potable water consumption can be achieved. This will be an invaluable alternative water source for future terminal expansions to ensure efficient buildings.

We continue to reduce our demand on the potable mains supply and the River Murray.

Adelaide Airport 2009



Crucial to maintaining AAL's legal compliance record is setting the same expectations of our tenants, who we routinely monitor. Our aviation and non-aviation tenants continue to demonstrate a duty of care towards the environment, meeting and in many cases exceeding their regulatory requirements.

2009  
2010

# people and culture

Adelaide Airport Limited has created a General Manager People and Culture (GMPC) position in 2009/10, as part of a restructure of the company's executive management team.

The General Manager People and Culture is responsible for human resources, industrial relations, staff training and development, occupational health and safety, service quality, internal brand and executive and administrative services.

We will develop and implement people management strategies to provide advice and guidance on people and culture issues across the organisation.

To build on our past staff development and service programs, AAL was pleased to announce an exciting work place learning initiative during the year. The AAL Leadership and Development Program has reaffirmed our continued commitment to the development of our people.

The workplace learning programs were designed specifically for AAL in collaboration with a high quality Adelaide-based training provider.

Programs were delivered on site over 12 months and every staff member who undertook training did so in company time.

The programs included:

- Future Learning Program
- Business Administration Program
- Team Leadership Development Program
- Leadership Development Program

The program saw 35 staff - approximately one third of our workforce, successfully obtain a full qualification at either Certificate IV or Diploma level and a further 5 successfully complete the Future Learners program.

AAL continues to openly encourage staff development, and is committed to providing support for ongoing education and development. In 2009/10, every member of our staff undertook some form of training during the year.

Four staff attended the University of Adelaide to undertake studies in the Professional Management Program - a 12 month path to management development.

We were proud to sponsor an employee in the Governor's Leadership Program, which is renowned as an outstanding program for the development of tomorrow's leaders.

Our Environment Manager was sent to Manchester Airport for a three-month period to undertake a Masters in Sustainable Aviation.

The General Manager People and Culture attended an ACI-ICAO Airport Management Professional Accreditation Program (AMPAP) elective - Airport HR Management - in Switzerland, and our Chief Financial Officer attended the Advanced Management Program at Harvard Business School.



CFO Mark Young, No 3 in Harvard Eight

Adelaide Airport is proud to support Australia's Defence Force Reserve, including our own airport engineer and Reservist, Pat Trainor.

[www.defencejobs.gov.au/army/reserve](http://www.defencejobs.gov.au/army/reserve)



& army reservist

adelaide airport

2009  
2010

The Adelaide Airport Brighton Jetty Classic Sculptures by the Sea gives artists of all ages the opportunity to publicly display their work.

[www.brightonjettyclassicsculptures.com](http://www.brightonjettyclassicsculptures.com)



sculptures by the sea &  
adelaide airport

# community

As South Australia's major gateway, Adelaide Airport plays an important role in creating visitors' early impressions of the city and the State. Therefore, in communicating key messages, Adelaide Airport Ltd (AAL) welcomes the opportunity to work closely with the relevant tourism, trade and government authorities to enhance the State's profile both interstate and overseas, which in turn creates further business opportunities for the airport.

In addition, AAL partners and sponsors a wide range of events and activities across the areas of community, the environment, business and tourism. The company supports the needs and aspirations of organisations and individuals to help grow a vibrant and sustainable South Australia.

In the five years that the new terminal, T1, has been fully operational, the feedback from customers and the community at large has been very positive. This was further highlighted by the fact Adelaide Airport was voted the world's second best airport for its size (5 - 15 million passengers) in 2007 by Airports Council International (results based on independent customer surveys).

Adelaide Airport was also voted Australia's best capital city airport in 2006 and 2009 by the Australian Airports Association and the Australian Competition and Consumer Commission continues to rate Adelaide Airport in a positive way.

The success of T1 has therefore created an opportunity to build up a high degree of goodwill with the media, our stakeholders and the community at large.

Adelaide Airport, as gateway to the State, is also experiencing a period of strong and sustained growth - largely on the back of the new terminal but also as a result of a strong economy, global increases in passenger numbers and competitive airfares resulting from increased competition between airlines.

A growing number of companies also have seen Adelaide Airport as an excellent place to locate their business, and this has been demonstrated in recent years by the arrival of major retail businesses such as Harbour Town and IKEA and in the creation of business precincts such as the Burbridge Business Park.

At the same time, AAL's operations are impacted by external factors such as issues relating to other airports, security and world events.

The primary stakeholders for AAL include Federal, State and local governments, airport users (customers), on-airport tenants (including retailers), airlines and investors. Each of these stakeholders is critical to the successful operation of the airport.

Other stakeholders include nearby residents, exporters and importers, tourism operators, business and employer groups, and the wider community.

AAL recognises that its ultimate success is strongly dependent on the vibrancy of community; the creativity and commitment of people in regional and metropolitan South Australia and people in businesses, working to build a stronger South Australia for future generations.

AAL's focus has been to add its support to these ideals through the company's considered sponsorship of events and initiatives of international, national and local significance. Adelaide Airport also supports those who just need to be given an opportunity, and who can, through a community grant or charitable donation, begin to participate and engage in the community in a positive way.

In addition to communications with primary stakeholders, a comprehensive list of domestic and overseas publications has been identified and those with the greatest reach for target markets being utilised as part of a proactive PR program. This list is constantly being reviewed and updated.

Key functions for community affairs management are:

- Internal and external communication of AAL's core values through targeted branding
- Interfacing with community and general public
- Stakeholder and industry partner management
- Ensuring all regulatory compliance requirements are met
- Influencing the internal AAL corporate culture

Key focus areas identified are:

- Our people and culture
- Our community
- Passengers and terminals
- Engineering and aviation
- Commercial and property
- Safety and security

2009  
2010

community continued

Key activities undertaken include:

- Corporate affairs/Government relations
- Business development
- Media relations
- Electronic communications (website/databases)
- Advertising
- Marketing collateral
- Consultative forums
- Public speaking opportunities
- Community sponsorship, grants and charitable donations
- Market research

Building on our vision statement and core values, we continue to develop, update and refine key messages that support and assist in implementing the core elements of the marketing plan. These messages are constantly evolving, but in summary they highlight AAL as:

- A major employer and therefore economic driver in SA;
- Backed by majority Australian owned superannuation funds, and therefore supported by super investment from South Australians;
- Providing a modern, vibrant new terminal;
- The site of quality retail developments including Harbour Town and IKEA;
- A good corporate citizen that consults regularly with all stakeholders, from local residents to Federal Government;
- Caring for the environment through its soil, air, water and noise management, and provision of recreational facilities such as linear parks.

AAL maintains a strict media policy designed to determine the way in which it communicates with the news media and - through the media - the broader community.

AAL also has a teleconferencing facility in place so that the Issues & Communications Group can link up at any time to discuss and respond quickly to any issue of a business continuity nature, for example an on-airport emergency.



[www.wateraid.org.au](http://www.wateraid.org.au)



[www.ozasiafestival.com.au](http://www.ozasiafestival.com.au)



[www.comeout.on.net](http://www.comeout.on.net)

Tauondi College seeks to balance cultural teaching and education for Aboriginal people, in recognition and respect of their culture.

[www.tauondi.sa.edu.au](http://www.tauondi.sa.edu.au)



& tauondi college  
adelaide airport

The Royal Flying Doctor Service provides 24-hour aeromedical and primary health care services to those who live and work throughout Australia.

[www.flyingdoctor.org.au](http://www.flyingdoctor.org.au)



royal flying doctor service &  
adelaide airport

# corporate governance

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

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

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

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

## Board composition

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

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

The Directors may appoint one of their number as Chairman or an independent Chairman who would become a Director if so appointed. The Chairman is required to meet regularly with the Managing Director.

The Board has the right to appoint Directors under the Company's Constitution.

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

## Board responsibilities

The responsibilities of the Board include:

- Providing strategic guidance to the company including contributing to the development of and approving the corporate strategy

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

## Board members

Details of members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' report under the heading "Information on Directors". There are six non-executive Directors, one executive Director and one alternate non-executive Director.

## Directors independence

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

## Non-executive Directors

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

2009  
2010

### Term of office

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

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

### Chairman

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

### Managing Director

The Managing Director is responsible for implementing Group strategies and policies.

### Commitment

The Shareholders Agreement requires that the Board meets at least once in each quarter of the financial year.

The Board held 11 Board meetings during the year.

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

### Conflicts of Interests

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

### Independent Professional Advice

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

### Performance Assessment

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

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

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

### Corporate Reporting

The Managing Director and CFO have made the following certifications to the Board:

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

### Board Committees

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

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

Minutes of committee meetings once signed by the Chair of the committee are tabled at the immediately subsequent Board meeting.

Details of the meetings of committees and attendance of committee members are set out in the Directors' report under the heading "Directors' Meetings" in the annual statutory accounts for the Group.

### External Auditors

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

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

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

### Risk assessment and management

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

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the company Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

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

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

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

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

### Diversity

The Board is committed to diversity and articulation of the corporate benefits arising from diversity and the importance of benefiting from all available talent. A formal policy on diversity will be formulated for implementation in due course.

### Code of Conduct

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

### Shareholder communication

All shareholders receive a copy of the company's annual and half-yearly reports. In addition those reports are accompanied by a detailed report on the performance of the Group and other material issues prepared by the Managing Director. Detailed briefings and site tours are available to shareholders attending the AGM.

# the future

Aviation in Australia has changed significantly over the years from the days when it was perceived by many to be the sole realm of the rich and famous.

The emergence of low-cost carriers, opening of new route pairs, the rise and fall of many carriers and the acceptance of these changes by the general public shows that aviation is now a transport medium of choice.

As such, Adelaide Airport Limited (AAL) spends a lot of time and effort producing a master plan that provides the template for the next 5 years and a vision for the next 20 years. This document includes input from the three tiers of government, stakeholders and the community at large. It has been endorsed by the airport's landlord, the Federal Government, and is a timely document to enable the airport and its stakeholders to keep pace with the increasing growth trends that have been evident in recent years.

South Australia, which has been somewhat immune to the full impact of the global financial crisis, has continued to encourage visitation through its mining, defence, education and event initiatives.

As the gateway to the State, Adelaide Airport has the capacity to manage increased passenger demand as the economy grows, and will continue to provide safe secure and efficient infrastructure to maintain the current service standards as demand grows.

AAL has already completed major infrastructure changes to accommodate the increased passenger, vehicle and aircraft traffic without significant degradation and impact on service levels. Future planned changes include a multi-storey car park, re-alignment of the road system, segregation of pedestrian and vehicle traffic, improved safety and security outside Terminal 1 and the establishment of a pedestrian plaza.

Subject to Ministerial approval, construction is expected to commence in late 2010.

While interest in the construction of an international standard hotel has been low, the concept and approval process is still current. A minor variation permitting a re-alignment of the hotel site to complement other works being undertaken in the precinct has been approved by the Federal Transport Minister.

Airservices Australia has commenced the construction of a new Control Tower, and following some "shadowing" operations and technical fit-out will be operational early in 2012.

AAL is to undertake urgent and necessary maintenance works in the overlay of the majority of its Runways and Taxiways from October 2010 to March 2011.

Given the nature of the works, the resurfacing will be undertaken during the curfew period. Approved operations that do occur during curfew hours, such as medical emergency and small freight aircraft will need to use the cross runway and will place aircraft over residential areas during the curfew.

As a result, a comprehensive community and stakeholder communication and briefing program has been undertaken to ensure the community clearly understand the necessity of the project.

AAL is also aware of the need to be ready for any environmental and/or sustainable expectations from government and the community to minimise carbon emissions. In that regard we have entered in to a long term relationship with the University of Adelaide to partner in aviation-related research and development to maximise the use of sustainable energy in the operation and management of the airfield.

In AAL's first 12 years of operation, total passenger numbers have grown by more than 70 per cent and there is every indication that this growth will continue. We are confident that with the projects identified, together with our sustainability and infrastructure planning, we will meet the future challenges of operating one of Australia's major airports in a safe, secure and efficient manner.

The Channel 9 Young Achiever Awards acknowledge, encourage and promote positive achievements of young South Australians.

[www.awardsaustralia.com](http://www.awardsaustralia.com)



community leadership award

adelaide airport &

# adelaide airport



Adelaide Airport has achieved moderate, sustained growth in 2009/10, exceeding the 7 million passengers mark for the first time in its history. Planning for future airport development is well underway.

# parafield airport



Parafield Airport remains one of Australia's premier general aviation facilities. In 2009/10 an aircraft billing and surveillance system was introduced to improve flight movement data information.

adelaideairportltd

[www.adelaideairport.com.au](http://www.adelaideairport.com.au)

2009  
2010