

Financial Report

2019–20

Highlights 2019–20

Throughout the COVID 19 pandemic ADG has maintained our commitment to and support of:

- **Our staff and permanent contractors:** by providing ongoing employment
- **The community:** by continuing to fund all our sponsorships
- **The Northern Territory:** by continuing to make significant capital investments
- **Our customers and key stakeholders:** by providing relief packages.

ADG has commenced a \$5 million dollar expansion in renewable energy, increasing solar PV arrays from 7MW to 11MW.

Throughout the pandemic, all three of our airports – Darwin International, Alice Springs and Tennant Creek – have stayed open.

All staff employed across our airports retained their positions during COVID-19.

The Alice Springs Airport Preliminary Draft 2020 Master Plan was released in May 2020 for public comment. The Plan includes the Airport Environment Strategy and acts as a blueprint for Alice Springs Airport's development over the next 20 years.

With sustainability a top priority for ADG, and we continue working towards an emissions target to have zero net emissions (scope 1 and scope 2) by 2030.

A new community partnership began, which sees Larrakia Rangers working with Darwin International Airport to maintain the health of the Rapid Creek Reserve in the airport lease area.

Darwin International Airport purchased two all-electric fleet vehicles that utilise renewable energy generated on-airport.

Through ADG's staff giving program we donated \$16,000 to Orange Sky Australia, which provides a regular laundry and shower service for disadvantaged Territorians through its van, 'Betsy'.

The cold storage, freight and training facility at Darwin International Airport has been completed, signalling new importing and exporting opportunities for the Territory.

From the start of the pandemic we provided 31 stakeholder updates to more than 780 airport stakeholders every week.

Major upgrades at Tennant Creek Airport to improve fencing and lighting have also been completed.

For the first time in history, Alice Springs welcomed the world's largest passenger plane, the A380, which is being stored at the Asia Pacific Airport Storage facility.

We introduced the CEO Contractor Annual Safety Award.

Vision, purpose and values

Our vision

To be the preferred partner for strategic infrastructure development and management.

Our purpose

To enhance the lives of all Territorians, enable education and employment opportunities for Indigenous Australians and provide an annuity style return to shareholders.

Our values

We recognise that stakeholders and the community judge us by the way we act. Our reputation is paramount, and as a result, we will act with honesty at all times with our workplace reflecting our corporate values.

We will achieve this by:

- › Earning, and retaining, the trust of Territorians
- › Leveraging our strong financial position to broaden our business scope and diversifying our portfolio
- › Leveraging the significant infrastructure capability of our owners
- › Researching and developing new strategic partnerships
- › Identifying opportunities and partnerships to invest in new products and services.

We will do this by:

- › Investing in major infrastructure, including airports, tourism, utilities and property for the benefit of all Territorians
- › Showing leadership in renewable energy through investment, policy development and target setting
- › Facilitating education, training and employment opportunities for Indigenous peoples across ADG assets and sponsorships
- › Celebrating and promoting Indigenous culture across all ADG assets.

Safety

We will ensure a safe environment is maintained for all.

Our People

We care and respect our teams, our customers, and our partners.

Sustainability

We act now to protect our future.

Innovation

We embrace new ideas and thinking.

Passion

We are proud, enthusiastic and have fun.

About ADG

The Airport Development Group (ADG) has been part of the Northern Territory community for over two decades and is one of Northern Australia's largest companies.

As part of Australia's airport privatisation program, ADG acquired leases from the Australian Government for three major Northern Territory airports—Darwin International Airport, Alice Springs Airport and Tennant Creek Airport—in June 1998. Each lease is for 50 years, with an option of a further 49-year lease.

ADG owns and operates these airports, has significant investments across hotels, property and utilities, and will continue to invest in major infrastructure projects across the Top End that will improve the lives of all Territorians.

ADG is 100% Australian owned via our investment fund shareholders IFM Investors (77.4%) and Palisade Investment Partners Limited (22.6%). Through these shareholders, ADG directly contributes to the retirement savings of approximately 70,000 Territorians via their superannuation funds.

ADG has 85 full-time employees and many other contractors providing key airport services and generating a total direct and indirect jobs for 1600 Territorians. 1.9 million passengers travelled through the three airports in 2019–20.

About IFM Investors (IFM) – own 77% of ADG

IFM represents an estimated 30 million pension fund members across 26 Australian superannuation funds and has approximately \$155 billion in funds under management. The company believe in long-term responsible and sustainable investments that enhance people's retirement outcomes and has 4 major asset classes, infrastructure, debt investments, listed equities and private equity.

About Palisade Investment Partners (Palisade) – own 23% of ADG

An independent, specialist investment manager Palisade invests the retirement savings of 2.5 million Australians and has

approximately \$3 billion in funds under management. Palisade focus solely on investment acquisition and management, and long-term sustainable returns in Australia. Palisade's assets include airports, ports, rail and renewables.

COVID-19 disclaimer

In December 2019, China reported cases of a viral pneumonia caused by a previously unknown pathogen. The pathogen was identified as a novel (new) coronavirus – the illness now known as Coronavirus disease 2019 (COVID-19). In response to limiting the spread of the virus in Australia, strict border controls were enacted.

The 2019/20 Operational Overview and Sustainability Data has been prepared with care based on the information available at the time of writing.

Some content relates to the period before the COVID-19 pandemic, and some is about events and activities during the pandemic to 30 June 2020. The Overview and Data also contains some images taken before social distancing measures were put in place.

Our response to COVID-19

At 2019/20 financial year end, ADG was closely monitoring COVID-19 and implementing a thorough response to manage the rapidly changing situation. Measures put in place to ensure the safety of staff, contractors, visitors and travellers during the pandemic included:

- › increased personal protective equipment for security personnel at screening points, including masks, gloves and hand sanitiser
- › increased hygiene protocols and mandatory mask wearing for visitors and workers in the terminal
- › temporary closure of food, beverage and retail outlets
- › visual cues for social distancing at congregation areas, such as baggage claim
- › rollout of health messaging in terminals
- › reduced operating hours and restricted access to the terminal
- › support for tenants, including relief packages
- › establishing a community hotline
- › regular communication and updates to airport stakeholders
- › providing ADG staff with the option to work from home
- › complying with the National Code of Conduct SME Commercial Leasing Principles

ADG continues to work closely with authorities and follow guidance from the Northern Territory and Australian governments.



Year in brief

2019 — 20



New routes

*Darwin International Airport*Qantas
Broome

Passenger growth

-28.6% ↓
(2019: NEGATIVE 5.5%)

Revenue growth

-17.1% ↓

ON THE PREVIOUS YEAR: 2.0%

Passengers (including transfers)

226,200

LAST YEAR: 293,100

International



Revenue

\$105.1^M

LAST YEAR: \$126.7M

1,683,300

LAST YEAR: 2,382,300

Total domestic
Northern Territory

EBITDA

\$58.2^M

LAST YEAR: \$81.3M

Total passengers by airport

1,507,500

LAST YEAR: 2,046,500

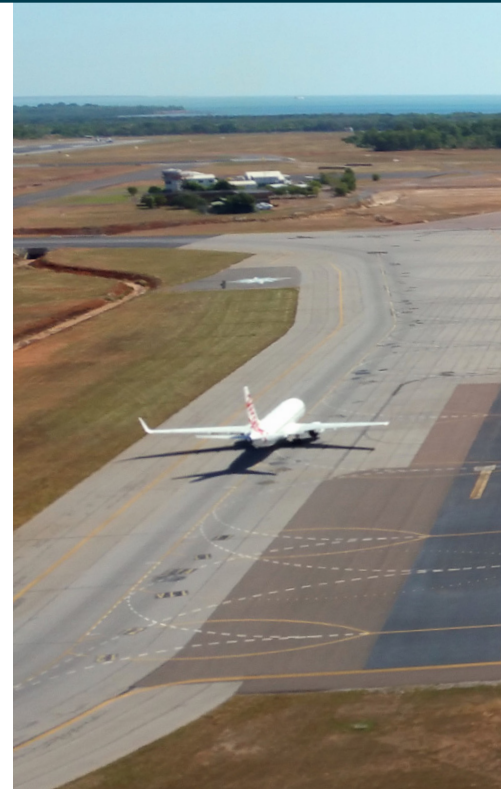
Darwin International Airport**\$561^M**invested in capital works
since 1998**398,000**

LAST YEAR: 622,000

Alice Springs Airport



CEO's report



It has been a challenging year for Airport Development Group and the aviation industry as we navigate the impacts of the COVID-19 pandemic.

We are proud of the commitment we made during this difficult time to retain all our employees, and that we were able to keep all three airports open. The wellbeing and safety of our employees, contractors and visitors remained our top priority, and we worked hard to ensure people felt safe and protected at our airports.

COVID-19 is an ongoing issue, and we have learnt valuable lessons from it and achieved outcomes that will have ongoing benefits for our employees, such as flexible working arrangements.

At year end, ADG remained financially strong, which required careful management, sacrifice and flexibility from everyone across the organisation.

While airport operations were slower in 2019–20 than usual, many key projects were still able to be completed this financial year.

Construction of a 6250sqm cold storage, freight and training facility at Darwin International Airport was completed, using \$15M of funding facilities from that Northern Australia Infrastructure Facility (NAIF) and Building Better Regions Fund (BBRF), with the facility operational at year end.

Darwin International Airport's Emergency Medical Retrieval Precinct Development won a commercial award at the Australian Airports Association National Airport Industry Awards in late 2019.



ADG is actively seeking to participate in suitable infrastructure investments, as a scalable and local Territorian property and infrastructure investment body.

The Alice Springs Airport Preliminary Draft 2020 Master Plan was released in May 2020 for public comment. The plan includes the Airport Environment Strategy and acts as a blueprint for Alice Springs Airport's development over the next 20 years.

For the first time in history, Alice Springs also welcomed the world's largest passenger plane, which is being stored at the Asia Pacific Airport Storage facility. The Airbus A380 was one of many aircraft from around the world that arrived in Alice Springs for storage at the airport during COVID-19.

Significant upgrades took place at Tennant Creek Airport during the year to improve operational capabilities and we are very proud that one major component of the project was completed with 100 per cent Central Australian Indigenous staff.

As an incoming CEO, and in light of the uncertainty around demand post COVID-19, it is timely to review current strategies and consider other pathways.

ADG is uniquely placed to support economic development in the NT by broadening the organisation's scope to include on- and off-airport infrastructure, direct participation in tourism offerings, as well as NT based property investments.

By leveraging ADG's long standing history in the Territory and utilising the expertise and financial capacity of our shareholders, ADG is actively seeking to participate in suitable infrastructure investments, as a scalable and local Territorian property and infrastructure investment body.

Through these initiatives we expect to improve facilities and services available to all Territorians.

We also look forward to welcoming more passengers through our airports as restrictions ease and working alongside our airline partners to increase flight capacity to and from the Territory.

I would like to acknowledge the dedication and commitment of former CEO Ian Kew, whose 19 years of service has provided a legacy of achievement

from which the organisation can continue to grow and succeed.

I am honoured to be part of the Airport Development Group and proud of the commitment, understanding and achievements shown by all across the organisation this year. I would like to thank our executive team, employees, contractors and customers for their tremendous efforts through what has been a difficult year.

Tony Edmondstone
Chief Executive Officer

Financial performance report

Income statement	2018	2019	2020
	\$'000	\$'000	\$'000
REVENUE			
Aeronautical	69,423	71,101	55,955
Trading	19,935	23,204	13,282
Property	23,513	21,360	24,172
Other income	11,249	11,018	11,647
Total Revenue	124,120	126,684	105,055
Operating Expenses	44,026	45,336	46,873
EBITDA*	80,094	81,348	58,182
Margin	64.5%	64.2%	55.4%
Increments in fair value of investment properties	10,986	4,644	(9,311)
Net gain/(loss) on interest rate swap contracts	(1,911)	(11,797)	(533)
Depreciation and amortisation	(42,953)	(38,914)	(32,257)
Impairment expense - infrastructure assets	(5)	(4)	(1,136)
Impairment of goodwill	0	0	(10,892)
Finance costs	(23,281)	(24,889)	(23,969)
Net Profit Before Tax	22,930	10,388	(19,915)
Income Tax (Expense) Benefit	(3,369)	(1,835)	3,144
Net Profit After Tax	19,561	8,552	(16,771)

* EBITDA represents Earnings before Interest expense, Tax, Fair value adjustment on Investment Property, Unrealised gains, Depreciation and Amortisation.

Some noteworthy aspects are (all notes include AFP trust):

Revenue – \$105.1 million (2019: \$126.7 million), a decrease of 17.07% due to COVID-19.

ADG has experienced a decrease in its pax numbers from 2.3M in FY2018–19 to 1.9M in FY2019–20 (or 17.4% decrease)

Earnings before interest, tax, depreciation and amortisation – \$58.2 million (2019: \$81.3 million), a decrease of 28.48%

Net loss before tax – \$19.9 million (2019 profit: \$10.4 million), a decrease of 291.7%

Decrease in the fair value of investment properties – \$9.3 million (2019 increase: \$4.6 million)

Treasury Management

During the current year the group was able to successfully secure four debt facilities totalling to \$150 million, under the "Northern Australia Infrastructure Facility ('NAIF') from the Northern Territory Government for eligible projects. In addition to above the group has a senior debt facility, which is a bilateral funding arrangement across a 5 and 7 year tenor tranches (re-financed in June 2019) and two senior secured notes having a 10 & 12 year term, which was established in June 2016. The funding arrangements is to fund the ongoing capital expenditure requirements of the consolidated entity.

Due to the impact of COVID-19 and the lockdown restrictions imposed by Australia and other Governmental Authorities, the Group, among other things, had sought and obtained the consent of their debt providers on 17 July 2020 (from Banks and NAIF) and on 7 August 2020 (from the Secured Noteholders)

for a waiver with respect to the testing of and compliance with the 'Interest Cover Ratio' set forth in the debt documents, for the period from 1 July 2020 to 30 June 2021.

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

The NAIF loans are interest only with the principal payable on maturity, which is 20 years from the date of financial close for each facility. The bilateral funding arrangements are interest only and interest is charged at the bank bill rate plus a margin, which is determined by the interest coverage ratio. Interest is generally payable quarterly.

Balance sheet

year end 30 June

	2018 \$'000	2019 \$'000	2020 \$'000
Cash	18,857	31,277	36,420
Total Assets	863,515	985,096	951,257
Interest Bearing Liabilities	509,173	546,885	590,006
Total Liabilities	661,542	735,840	767,730
Total Equity	201,973	249,256	183,527
CAPITAL SPEND			
DIA	22,832	24,596	43,068
ASA	2,666	3,984	25,592
TCA	4	539	904
AFP	1,460	1,391	186
Total	26,962	30,510	69,749
Life to date capital spend (since 1998) inc. AFP Trust	460,952	491,462	561,210

Cash flow

NET CASH FLOWS FROM OPERATING ACTIVITIES

\$55.6m

(2019: \$36.4m)

After funding capital expenditure, cash balances increased by \$5.1 million to \$36.4 million (2019: increased by \$12.4M).

There has been a net decrease in Total Assets resulting from:

- A decrease in the fair value of investment properties of \$9.3 million
- \$35m impairment loss recorded at DIA. Out of which \$10.9m relates to goodwill impairment and \$25m relates to the impairment of DIA's revalued terminal building assets. This has been offset by additions to the infrastructure, plant and equipment at both DIA and ASA airports. The major additions during the year relates to ASA runway overlay and DIA security equipment and infrastructure upgrades.

Annual report for the 12 months to 30 June 2020

The annual report for the 12 months to 30 June 2020 comprises:

- directors' report
- auditor's independence declaration
- financial report
- directors' declaration
- independent auditor's report to members

The annual report is available on the company's website www.darwinairport.com.au

Alternatively, a copy may be obtained from Darwin International Airport Pty Ltd.

Fast facts

Financial year ending	2018	2019	2020
PASSENGERS			
DIA	2,190,000	2,046,500	1,507,500
ASA	632,000	622,000	398,000
TCA	7,500	6,900	4,000
Total	2,829,500	2,675,400	1,909,500
LANDED TONNES			
DIA	865,000	885,600	675,000
ASA	252,000	249,000	187,000
TCA	9,300	8,600	7,500
Total	1,126,300	1,143,200	869,500
AERONAUTICAL CHARGES (EX GST)			
Passenger Facilitation Charge (\$/pax) **			
DIA	10.34	10.60	10.87
ASA	9.22	9.31	9.40
TCA	-	-	-
Airport Services Charge (\$/pax) **			
DIA	8.86	9.08	9.30
ASA	8.78	8.87	8.96
TCA	18.00	18.00	18.45
Landing Charges General Aviation \$/MTOW **			
DIA	25.58	26.22	26.88
ASA	25.58	26.22	26.88
TCA	27.19	27.87	28.57
REVENUE \$'000 ***			
DIA	87,871	89,002	72,142
ASA	18,774	19,789	14,396
TCA	824	707	1,225
Other	(78)	(110)	(110)
Total ADG	107,391	109,388	87,653
AFP Trust	5,090	5,269	5,294
Total all entities	112,481	114,657	92,947
EBITDA \$'000			
DIA	63,908	62,408	44,171
ASA	12,236	14,888	9,338
TCA	508	392	869
Total ADG	76,653	77,688	54,378
AFP Trust	3,442	3,660	3,803
Total all entities	80,094	81,348	58,182

** as at 30 June

*** excludes safety and security charge revenue

AFP Trust Deeds signed 5 August 2010

Financial year ending

2018

2019

2020

\$'000

\$'000

\$'000

NET PROFIT/(LOSS) BEFORE TAX

DIA	25,445	15,544	(18,129)
ASA	(3,167)	3,873	(2,081)
TCA	490	375	(278)
Other	(1,911)	(12,588)	312
Total ADG	20,858	7,204	(20,176)
AFP Trust	2,072	3,184	261
Total all entities	22,930	10,388	(19,915)

CAPITAL EXPENDITURE \$'000

DIA	22,832	24,596	43,068
ASA	2,666	3,984	25,592
TCA	4	539	904
Total ADG	25,502	29,119	69,563
AFP Trust	1,460	1,391	186

INVESTMENT PROPERTY MOVEMENT IN FAIR VALUE

DIA	9,418	2,573	(6,762)
ASA	1,491	900	(579)
Total ADG	10,909	3,474	(7,340)
AFP trust	77	1,170	(1,971)
Total all entities	10,986	4,644	(9,311)

AIRPORT DEVELOPMENT GROUP

Cash	18,404	30,406	35,692
Total assets	812,457	931,605	917,394
Interest Bearing Liabilities	481,908	521,410	582,565
Total Liabilities	628,926	702,977	753,963
Total Equity	183,531	228,629	163,431
Net cash from operating activities	39,548	34,192	53,418

AFP TRUST

Cash	453	871	729
Total assets	51,058	53,490	51,550
Interest Bearing Liabilities	27,265	25,475	24,284
Total Liabilities	32,616	32,864	31,454
Total Equity	18,442	20,627	20,096
Net cash from operating activities	1,901	2,165	2,159

EMPLOYEES

DIA	69	72	65
ASA	13	14	14
TCA	1	1	1
Total ADG	83	87	80

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