

airport development group

annual report

2004-2005







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■ the company

VISION

Airport Development Group's vision is to be a world class Airport business. That is, we aspire to achieve the following:

- standards of efficiency and safety that equal world's best practice;
- compliance with all operational, regulatory and environmental standards;
- customer satisfaction with facilities, commensurate with the scale of our airports;
- staff and management excellence;
- appropriate returns to shareholders on invested capital that reflect the underlying risk; and
- all commercial opportunities are fully investigated, and where appropriate, developed and implemented.

VALUES

We will demonstrate our values by action and we will:

- Deliver on our commitments to customers, shareholders and other stakeholders;
- Act with honesty and integrity in all our dealings with employees and customers;
- Demonstrate our professionalism and credibility in all areas of our operations;
- Respond in a timely and appropriate manner to stakeholder needs;
- Reward staff for their endeavours on a fair and equitable basis;
- Accept the responsibility and accountability that goes with the challenge of delivering objectives and plans;
- Respect all people who we work and have contact with; and
- Excel in providing the highest quality service and support to our stakeholders.

■ 2005 highlights

- Operating revenue of \$32.4M (2004: \$27.2M) an increase of 19% on the previous year.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$18.6M (2004: \$14.9M) an increase of 25% on the prior year.
- Total of 1,989,000 passengers 2004 (2004: 1,792,000), an increase of 11% on the previous financial year.
- Following the success of last year, a further two direct international charter flights from Tokyo and Osaka landed at Alice Springs Airport in May 2005.
- Approval and release of the 20 year Master Plan and associated Environment Strategy for Darwin International and Alice Springs Airports.
- Construction, completion and opening at Darwin International Airport of the Darwin Airport Resort, in time for the Arafura Games in May 2005.
- Continued construction of the Checked Bag Screening system at Darwin International Airport – the airport's largest single capital project since privatisation.
- Commencement of civil works on the runways, taxiways and aprons at Alice Springs Airport.
- Opening of the Matboerrma native garden at Darwin International Airport, showcasing the diverse environments and plants of the Top End.

'airport development group's vision is to be a world class airport business - that is, we aspire to achieve'



■ *mission statement*

"In the interest of all stakeholders, operate an airport business that is world class in financial and environmental performance, customer service and safety and security, and is recognised as a key contributor and participant in the economic growth of the Northern Territory"

■ *chairman's introduction*

I am pleased to present the Airport Development Group (ADG) Annual Report communicating the many varied and diverse financial and operational aspects of our world class airport business in the Northern Territory. The objective of the Annual Report is to provide a review of how ADG has performed for the past year.

ADG's performance for the financial year ending 30 June 2005 has exceeded budget in all sectors of airport operations. Earnings before interest, taxation, depreciation and amortisation (EBITDA) for the year was \$18.6 million, a 25% increase on last year with growth in revenue of 19% to \$32.4 million.

Last year we celebrated a significant improvement and turn-around for Darwin International (DIA) and Alice Springs Airports (ASA). This year we celebrate an even greater improvement in passenger numbers resulting in 25% or a \$4.5 million increase in aeronautical revenues to \$22 million. International passengers at DIA were 43% higher than the previous financial year and domestic passenger numbers increased by 12%.

ADG Airports continue to respond to the increasing level of development in the Northern Territory. The underlying strengths which enable our Airports to achieve their goals are the stability of our relationships with the Northern Territory Government, the airports' forward planning strategies and the partnership philosophy shared with major customers. The release of the Airports' Master Plans will continue to see our airports well placed to respond to continued development.

Commercially, Darwin International Airport has identified the commercial development opportunities in a growing market. The full potential of these developments is now gaining momentum with the release of the Master Plan.

The increase in property revenues by 11% on the previous year was attributed to the successful commercial property developments at DIA. Within the Business Precinct of DIA, developments such as the ABC Childcare facility and the Darwin Airport Resort have now been completed and are operational. Work is also underway on the construction of new premises for Civil Aviation Safety Authority (CASA) and Australian Quarantine and Inspection Service (AQIS). Both buildings should be completed and operational late 2005.

Our Airports' development strategies reflect the demands of today's traveller to include retail shops, restaurants, parking and modern airport services. Whilst car parking charges remain unchanged at our airports, car parking revenue increased by 8% on the previous year.

During a year of strong performance and progressive growth, ADG management have continued to develop and maintain their high performance teams to achieve the outcomes required in today's airport industry.

On behalf of the Board, it is my pleasure to acknowledge and thank the staff of Airport Development Group for their hard work and contribution to the success of 2004/05. We would like to acknowledge the support of our customers and various stakeholders again during the year. ADG are once again positioned for an exciting future.

Mitchell King
Chairman



■ chief executive officer's report

Airport Development Group Pty Ltd is committed to looking after the diverse requirements of passengers, airlines, retailers and regulatory authorities at our airports. The collective as well as individual responsibility of airport staff in achieving their objectives has played a vital role in delivering the excellent results experienced this year.

The solid performance of the airports has seen a 19% increase in revenue to \$32.4M while expenditure increases were managed within budget to 13% or \$1.6M. Our airports connect people and the year to June 2005 saw an overall increase of 11% in passenger traffic compared to the year to June 2004. The recovery in international capacity, predominantly in the form of transit passengers, has contributed to the strong performance.

The aviation industry has continued to remain at a heightened level of security throughout the past year, with new legislation and requirements for airport security constantly being addressed.

Darwin International Airports Checked Bag Screening facilities for both International and Domestic baggage are nearing completion and should be operating by the time this report is published.

The \$11m project will place DIA at the forefront of airport security in Australia and will launch both international and domestic checked bag screening facilities simultaneously.

Darwin International and Alice Springs Airports have been reviewing their capital expenditure requirements for the next five years.

Major projects being contemplated within the next five years include a Runway resheet at both Darwin and Alice Springs Airports, finalisation of the Checked Bag Screening Project, completion of the refurbishment and retheming of the terminal buildings and construction of two additional aircraft parking bays.

As we continue to strengthen Northern Territory Airports through major capital improvements and other long-term programs, our day-to-day operations are driven by today's global aviation priorities.

The combined challenge of added airport security together with the global challenge brought about by

increasing oil prices will continue to govern aviation cost structure with major concerns of how to transfer that added cost to the customer.

Darwin International Airport derives approximately 70% of its revenue from aeronautical activities which is far behind the 50/50 split between aeronautical and non aeronautical revenue derived by other airports.

ADG are keen to develop the undeveloped airport property and increase our percentage of non-aeronautical revenue.

December 2004 saw Federal Government approval of the Airport Master Plans and Environment Strategies for Darwin International and Alice Springs Airport. These will provide a planning framework for both airports to develop over the next 20 years.

The wide-ranging 90 day public consultation period allowed airport users and surrounding communities to get a clear indication of the opportunities and challenges at both airports.

I would like to thank the airport users and stakeholders who attended the briefing sessions or read the preliminary drafts before submitting comments on the plans.

The staff of ADG have worked hard and diligently to produce the excellent results outlined in this Annual Report. I have asked the teams to present their story within the context of this report. From the moment the budgets are set to the final analysis of the yearly outcomes; the team's professionalism and commitment at our airports drives the results.

With the support of our shareholders, employees and customers, we are confident that we will continue to advance opportunities for continued successful and profitable growth at our airports and the communities they serve.

Ian Kew
CEO



AIRPORT DEVELOPMENT GROUP

Airport Development Group Pty Ltd (ADG) through its subsidiaries acquired a lease for the three Northern Territory Airports comprising Darwin International Airport, Alice Springs Airport and Tennant Creek Airport, from the Commonwealth Government with a commencement date of 10 June 1998 and total consideration in the order of \$110 million.

ADG is the ultimate parent of the group. ADG owns 100% of Northern Territory Airports Pty Ltd (NTA) which in turn owns 100% of Darwin International Airport Pty Ltd (DIA) and Alice Springs Airport Pty Ltd (ASA) who are respectively the holders of a 50 year lease over Darwin International Airport and Alice Springs Airport with free options to renew for a further 49 years.

ADG also owns 100% of Tennant Creek Airport Pty Ltd (TCA) who are the holders of a 50 year lease over Tennant Creek Airport with a free option for a further 49 years.

ADG is majority Australian owned and has five shareholders comprising:

- Industry Funds Management (Nominees) Limited (managed by Hastings Funds Management Ltd);
- Hastings Funds Management Limited (Australian Infrastructure Fund);
- RBC Global Services Australia Nominees Pty Ltd (Perpetual Investments);
- National Asset Management Ltd (trust units beneficially owned by Industry Funds Management (Nominees) Limited); and
- BAA Australia Pty Ltd.

DARWIN INTERNATIONAL AIRPORT

Darwin International Airport (DIA) is the main international and domestic gateway to the Northern Territory and is Australia's closest airport to Asia.

The airport is located approximately 13 kilometres from the Central Business District of Darwin which is the tropical capital city of Northern Territory. The area is dominated by intense high rainfall for approximately 6 months of the year (wet season) followed by extended periods of little or no rainfall for the remainder of the year (dry season). This extreme climate provides a unique airport environment including flooding and bushfires.

Darwin is a city of cultural diversity, with more than 50 nationalities making up its 100,000 population, including traditional owners, the Larrakia people.

Darwin airfield is a joint user airport shared with the Royal Australian Air Force (RAAF) where the civilian airport shares runway areas and associated infrastructure.

DIA provides facilities for international, domestic and regional passenger airlines and for general aviation and helicopter traffic. The airport also provides facilities for handling air freight, operates curfew free 24 hours per day and can accommodate the largest aircraft in operation.

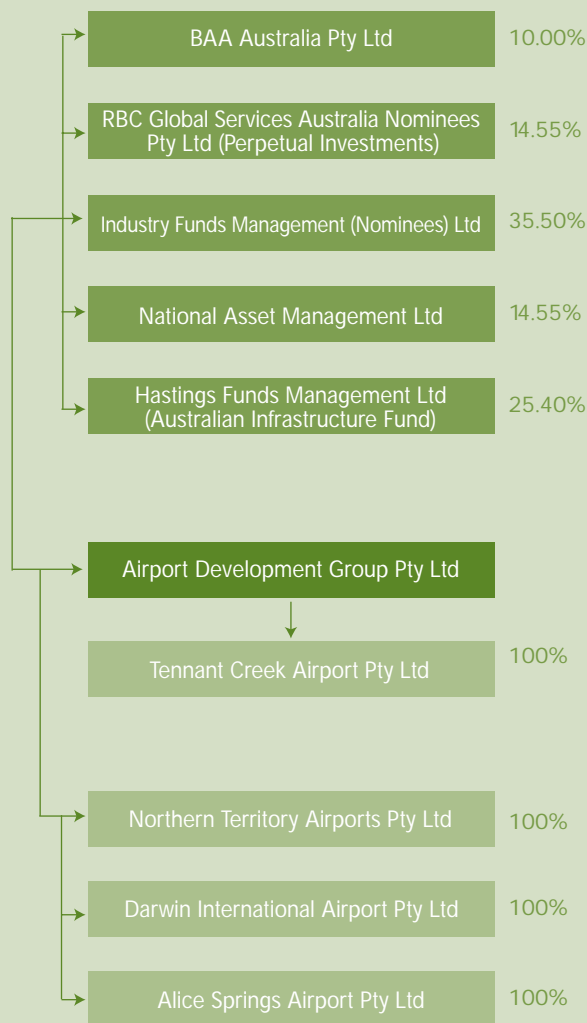
The primary facilities at DIA include:

- a two runway system capable of handling all existing and planned aircraft types including the A380 Airbus;
- a two level, 16,000 square metre integrated terminal building handling all international, domestic and regional passenger movements;
- ten aircraft parking stands on the main apron, three of which are serviced by aero-bridges (one of which can handle Boeing 747 aircraft);
- a general aviation area consisting of an apron with parking for approximately 100 aircraft and a number of aircraft maintenance hangars;
- refuelling and other aeronautical service related facilities; and
- 24 hour air traffic control facilities provided by the RAAF.

DIA is currently the Northern Territory's sole international airport bringing visitors into Australia via the 'Top End'. It provides for the civil needs of Darwin – the seat of Government for the Northern Territory – and serves not only visitors but is essential to the business and government communities and for links to remote areas.

'darwin international airport is the main international and domestic gateway to the northern territory'





ALICE SPRINGS AIRPORT

Alice Springs Airport (ASA) is a significant regional airport servicing the needs of the Heart of Australia and bringing visitors direct from all mainland capital cities and many major tourist centres. It also provides an important link to the Territory's remote communities.

ASA provides facilities for domestic passenger airlines, general aviation and helicopter traffic. It operates curfew free 24 hours a day. The terminal is located 14 kilometres south of Alice Springs on a site of approximately 3,550 hectares.

The main facilities at ASA include:

- a two runway system comprising a main runway of 2,438 metres and a secondary runway of 1,133 metres together with associated taxiways;
- a 10,000 square metre terminal building which is controlled and operated by ASA;
- nine primary heavy aircraft parking stands on the main apron;
- the airfield can handle aircraft of B747/C5A size and is a B777 international alternate
- a general aviation area consisting of apron parking for approximately 70 aircraft and a number of aircraft maintenance hangars;
- refuelling and other aeronautical service related facilities; and
- air traffic control facilities, fire fighting services and navigational aids provided by Airservices Australia.

TENNANT CREEK AIRPORT

Tennant Creek Airport (TCA) provides facilities for commuter passenger airlines and for general aviation and helicopter traffic. The airport operates curfew free 24 hours a day.

The terminal is located 1 kilometre west of the town on a site of approximately 323 hectares.

The main facilities at TCA include:

- a two runway system comprising a main runway of 1,959 metres and a secondary runway of 1,057 metres together with associated taxiways;
- a small domestic terminal and associated infrastructure to service both regular public transport and general aviation aircraft;
- two heavy aircraft parking stands on the main apron and a gravelled general aviation area;
- the airfield can handle aircraft of Fokker 100 size and is a B737 alternate and
- refuelling and other aeronautical service related facilities.



ADG FINANCIAL RESULTS SUMMARY

Financial Year Ending	2005 ADG	2004 ADG	2003 ADG	2002 ADG	2001 ADG
REVENUE:					
Aeronautical	22,023	17,562	13,385	7,863	6,509
Trading	4,984	4,609	4,534	4,261	4,253
Property	4,514	4,080	3,821	4,651	5,102
Other	920	955	784	709	492
Total ⁽¹⁾	32,441	27,206	22,524	17,484	16,356
EXPENDITURE:					
Labour & staff overheads	5,127	4,790	4,382	3,353	3,045
Services & utilities	2,284	2,134	1,887	1,664	1,529
Administration	3,031	3,182	2,702	2,044	1,928
Maintenance	2,108	1,537	1,424	990	1,114
TSA expenses	1,271	624	1,378	813	734
Total	13,821	12,267	11,773	8,864	8,350
EBITDA:	18,620	14,939	10,751	8,620	8,006
Depreciation	7,007	5,782	5,631	5,400	5,316
Amortisation	632	641	557	558	558
EBIT:	10,981	8,516	4,563	2,662	2,132
Net borrowing costs	6,038	5,773	6,797	5,400	5,292
Abnormals / Income tax	1,335	(2,370)	4,998	(9)	(1)
NET PROFIT/(LOSS) AFTER TAX:	3,608	5,113	(7,232)	(2,729)	(3,159)

(1) Revenue excludes passenger security, checked bag screening, additional security measures and counter terrorist first response charges which are levied such that revenue received is equally offset by expenses incurred. In 2004/05 revenue from security charges was \$4.9 million.



'the 2004/05 financial year was another outstanding year for airport development group'



FINANCIAL PERFORMANCE

The 2004/05 financial year was another outstanding year for Airport Development Group. ADG performance for the financial year exceeded budget expectations and represented another significant improvement on the previous years results. EBITDA for the year was \$18.6M, a 25% increase on the previous year. This years' strong result has contributed to a 133% growth in EBITDA over the past five years.

The solid performance this year has culminated from a growth in revenue of 19% to \$32.4M while expenditure was contained to a 13% or \$1.6M increase.

ADG increased its Passenger Facilities Charge (PFC) on 1 July 2004 by \$1.00 to \$4.50 (excluding GST). This charge is levied on a per passenger basis on domestic and international regular public transport operators for the use of the terminal and associated facilities. The Airport Services Charge (ASC) remained unchanged at \$5.50 (excluding GST). This charge is levied on a per passenger basis for the use of runways, taxiways, aprons and associated facilities.

ADG continues to under recover costs in the provision of aeronautical services; however the current price regime is more reflective of the costs of operations of airports in the Northern Territory.

A significant improvement in passenger numbers during the 2004/05 year resulted in a 25%, or \$4.5M, increase in aeronautical revenues to \$22M.

Trading revenue increased 8% on the previous year. Duty free revenue remained relatively flat despite an increase in international passenger movements.

The strongest performance was achieved in car rental revenue which realised a 21% increase on the prior year results. New car rental contracts were executed during the 2004/05 year and contributed to this outstanding result. There was also an increase of 8% on the previous financial year on car parking revenue without a corresponding increase in car parking charges.

Property revenues grew by 11% on the previous year largely on account of a number of new commercial property developments. The Darwin Airport Resort was officially opened by the Administrator of the Northern Territory on 3 May 2005 and contributed to the increase in property revenues.

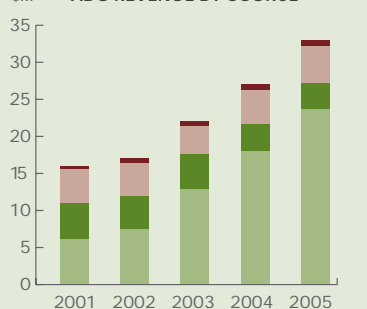
Total expenses for the financial year were \$13.8 million, \$1.6 million or 13% higher than the previous year.

ADG's staffing costs increased during the financial year as a result of increased staff numbers. Additional staff have been required due to the significant increase in peak period activity as well as to facilitate the ongoing development aspirations of the airports.

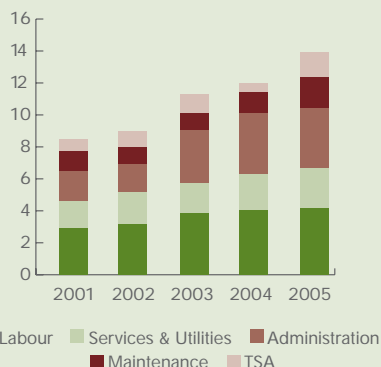
Services and utilities costs were slightly higher than the previous year and are largely reflective of higher communication and cleaning expenses. The cost of insurance continued to rise this financial year and along with consulting and aeronautical data processing costs contributed to an increase in general administration expenses.

Costs associated with the technical services agreement (TSA) were double that of the previous year as a result of ADG's overall better than budget performance.

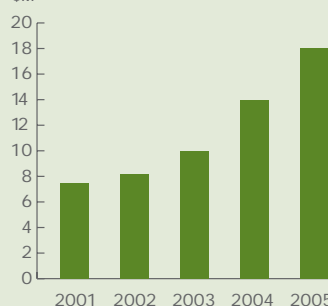
\$M ADG REVENUE BY SOURCE



\$M ADG EXPENSES BY SOURCE



\$M ADG EBITDA



OPERATIONAL PERFORMANCE

ADG Operational Performance Summary

Financial Year Ending	2005 ADG	2004 ADG	2003 ADG	2002 ADG	2001 ADG
DARWIN INTERNATIONAL AIRPORT					
PASSENGERS:					
Domestic	1,105,000	985,000	875,000	800,000	945,000
International	281,000	197,000	210,000	290,000	435,000
Total	1,386,000	1,182,000	1,085,000	1,090,000	1,380,000
AIRCRAFT MOVEMENTS:					
Regular Public Transport	18,300	18,200	18,000	18,700	26,000
General Aviation	48,700	44,300	40,600	49,000	60,800
Total	67,000	62,500	58,600	67,700	86,800
LANDED TONNES:					
Total landed tonnes	621,000	539,000	525,000	590,000	810,000
ALICE SPRINGS AIRPORT					
PASSENGERS:					
Domestic	603,000	610,000	570,000	520,000	665,000
Total	603,000	610,000	570,000	520,000	665,000
AIRCRAFT MOVEMENTS:					
Regular Public Transport	6,900	7,800	7,500	8,200	11,800
General Aviation	16,000	16,700	16,200	17,900	22,800
Total	22,900	24,500	23,700	26,100	34,600
LANDED TONNES:					
Total landed tonnes	233,000	239,000	223,000	206,000	287,000
TENNANT CREEK AIRPORT					
AIRCRAFT MOVEMENTS:					
Total aircraft movements	3,000	2,200	2,800	3,600	4,800
LANDED TONNES:					
Total landed tonnes	4,900	4,200	6,400	7,400	8,900



'a significant improvement in passenger numbers during the 2004/05 year resulted in a 25% increase in aeronautical revenues'

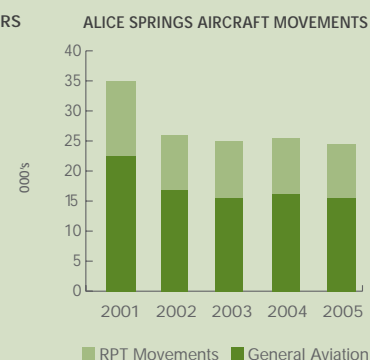
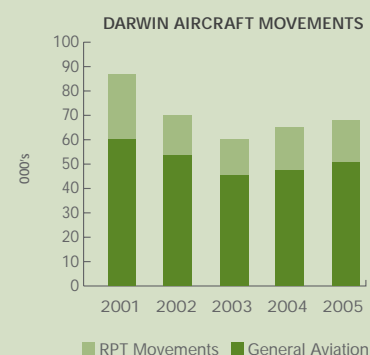
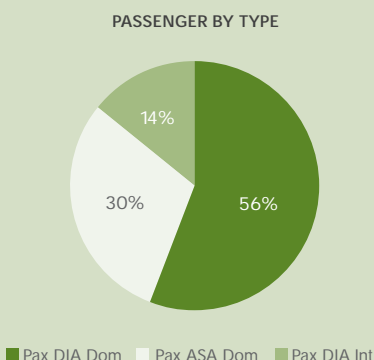
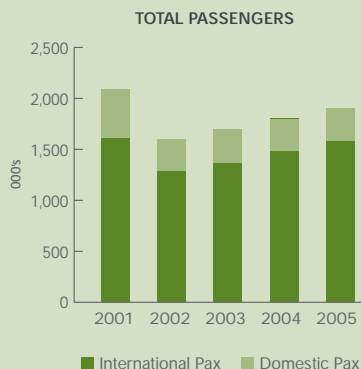
OPERATIONAL PERFORMANCE

The 2004/05 financial year saw a continued improvement in the aviation industry after a number of difficult trading years. ADG's airports experienced significant improvement in passenger traffic, particularly at Darwin International Airport. ADG's airports are well placed to respond to the increasing level of development and activity that the Northern Territory is currently experiencing and forecast to continue experiencing.

International passengers at Darwin Airport were 43% higher than the previous financial year and totalled 281,000 passengers. The increase in the level of transit passengers contributed to the strong result. In addition, the recovery in international airline capacity toward the end of 2003/04 saw the solid performance continue through into 2004/05. Australian Airlines services to Singapore, which commenced in May 2004, continued to provide much needed international capacity throughout the year. Other international airlines including Qantas, Garuda Indonesia, Royal Brunei, Merpati and Airnorth also provided necessary capacity servicing a range of South East Asian destinations, Darwin's closest neighbours.

Domestically, Darwin International Airport also had an outstanding year. Domestic passenger numbers increased by 12% to 1,105,000. Strong growth in tourism, an increase in large infrastructure projects in the Top End, including the Darwin LNG plant and Defence spending, coupled with a significant improvement in capacity contributed to the solid performance. Qantas continued to add much needed capacity and services where necessary to cope with demand. A full year of Skywest services to Broome and Perth and Virgin Blue's services to 3 destinations also contributed to the increase in domestic passengers.

Alice Springs Airport passenger numbers remained flat, providing similar results to the prior year. Virgin Blue's daily Sydney service was replaced by a four times per week service to Adelaide. There was also movement in the regional carriers, with Aboriginal Air and Vincent Aviation commencing services to Tennant Creek and beyond. Alice Springs Airport however successfully hosted a number of international charters from Japan, bringing tourists directly to the Red Centre. Based on the success of these services additional charters have already taken place and it is anticipated their popularity in the future will increase.



'the past twelve months have seen the success of a full year of services from a number of the new airlines'

ROUTE DEVELOPMENT

As part of ADG's route development strategy, Peter Roberts holds the position of Aviation Development Director. This position was established in November 2002 as the result of an innovative partnership agreement between ADG and the Northern Territory Government to encourage airlines to expand services to and within the Northern Territory.

Aviation Development priorities include the retention and growth of existing scheduled airline services to Darwin, Alice Springs and Ayers Rock, the addition of new routes and the expansion of charter flights including direct international flights to Central Australia.

The Aviation Development Director has been active for the ADG in promoting airline services into Darwin, Alice Springs and Tennant Creek airports.

The past twelve months have seen the success of a full year of services from a number of the new airlines which commenced late in the 2003/04 year. The following airlines are now well established at our Airports and provide increased capacity to cope with growing demand.

- Australian Airlines which commenced a twice weekly (during high season which reduces to one per week over the low season) Boeing 767 service between Singapore, Darwin and Cairns in May 2004. This service has added much needed capacity to the route and has had a significant impact on international passenger traffic through Darwin International Airport.
- Western Australia's major regional airline Skywest which commenced flights to the Northern Territory in April 2004 continued to provide a popular three per week jet service to Broome and Perth.

- Virgin Blue operated for the full year services from Brisbane, Sydney and Melbourne to Darwin but changed its Sydney to Alice Springs service from 31 October 2004 to an Adelaide to Alice Springs service at reduced frequency.

In addition to the above:

- From 1 December 2004 Qantas Airlines replaced its three per week Boeing 767 Adelaide, Darwin, Singapore service with its new A330-300 aircraft. The A330-300 aircraft are fully configured to include individual video and audio, Business class Skybed sleeper seats and two self service Business Class bars. This aircraft type upgrade has provided a 30% increase in Qantas capacity on this route.
- Airnorth, now re-branded as RegionalLink, withdrew from its scheduled service from Darwin to Katherine, Tennant Creek and Alice Springs as thin demand makes profitable operation of this route difficult. ADG has encouraged replacement services by Aboriginal Air Services and Vincent Aviation using lower capacity aircraft types.
- In summary, total domestic capacity provided to ADG's Northern Territory airports at 30 June 2005 showed an increase of 7% over 30 June 2004. Total international seats increased 31% over the same period.
- The Aviation Development Director in conjunction with the Northern Territory Tourist Commission is actively seeking growth in international charter flights to the Northern Territory, including direct to Alice Springs.





■ business overview (continued)

Route Development (continued)

In this respect :

Two charter flights were operated during the year from Singapore to Darwin by a SilkAir A320 aircraft for SkyCity Darwin Casino.

Based on the success of flights in previous financial years, two direct international charter flights carrying tourists from Japan landed again in Alice Springs in May 2005. The visits were organised by Japanese holiday wholesaler Kintetsu International with Japan Airlines Boeing 747-400 aircraft flying direct from Tokyo and Osaka to Alice. These charters were again extremely successful and are seen as the forerunner of additional flights in coming years.

Alice Springs Airport was visited by Swiss airline Belair in June 2005. The international charter carrying approximately 200 guests was on a global trip taking in the world's best known heritage sites including the Red Centre. After Alice Springs the Boeing 767 flew direct to Denpasar.

For such flights the Alice Springs Airport terminal is turned into an international facility with officers of border agencies brought in from Darwin to process the passengers.

There have also been regular long haul passenger and cargo civilian aircraft charter flights from Darwin for the Australian Defence Forces during the year ended 30 June 2005.

The Aviation Development Director works closely with the Northern Territory Tourist Commission in the development of additional air services. There is an increasing focus on promoting the Northern Territory as a year round destination to expand annual visitor numbers by reducing the traditional seasonality of visits.

In this context he attended the Annual Routes Conference held in Madrid, Spain in September 2004 and several Regional airline meetings in Asia and Australia. These gatherings provide opportunities to lift the profile of the Northern Territory and the ADG's Territory airports as well as expanding a network of contacts.

There are ongoing discussions with a number of international airlines, including recently established Asian low cost carriers in respect of possible additional international services to the Northern Territory. Attracting additional airlines from South East Asia to Darwin is proving challenging as Darwin is competing for use of available aircraft with possible new services to China and India.

The Aviation Development Director is the Northern Territory representative on the National Tourism Aviation Advisory Committee. This Australian Government Committee aims to co-ordinate aviation and tourism activities as administered by the various departments and to fully reflect inputs from various aviation and tourism stakeholders.

BUSINESS SYSTEMS UPGRADE PROJECT

In 2004, Airport Development Group embarked on a new project to upgrade the incumbent Business Systems in operation around the airport. Our objective is to improve the operational performance and decision making capability of the group by introducing improved business processes. Importantly ADG will improve key stakeholder relationships by adding value to our services and by reducing the time to complete services.

ADG have spent many months reviewing our internal processes and gaining a detailed insight into our system and software requirements. Following an exhaustive tender process where many software providers and their products were reviewed, ADG has entered into contracts for Technology One to provide a new Finance, Human Resource and Payroll System, Works and Property Management system. Technology One are an Australian listed company that design, develop, implement and support enterprise wide integrated software solutions. Technology One have successfully implemented solutions in Brisbane, Perth and Adelaide airports and we look forward to finalising a successful implementation at our airports.

It is anticipated that the new systems will be finalised by July 2006.

'there is an increasing focus on promoting the northern territory as a year round destination'



SAFETY AND SECURITY

Safety Management at DIA

The Airport Safety Management System (SMS) is a documented set of policies, procedures and practices for effectively managing the safe operation of the airport, while complying with relevant regulations and standards. It is a requirement under Civil Aviation Regulations that international aerodromes have an SMS in place by November 2005 and other aerodromes by January 2007.

In preparation for the Safety Management System development, Darwin International Airport hosted a workshop for local operators, RAAF, operations staff and airport management. Future options were developed and the CASA document builder was used to produce the SMS Manual.

The Civil Aviation Safety Authority (CASA), has identified 8 relevant areas to be included in the plan for a consistent approach to a Safety Management System,

- Policy
- Management Accountability
- Establishing a process to manage risks
- Setting up a reporting system to record hazards
- Risks and actions taken
- Training and educating staff
- Auditing the operation and investigating incidents and accidents
- Setting up a system to control documentation and data. Evaluating how the system is operating.

Security Exercise at Darwin International Airport

During the month of May 2005, DIA presented an aviation security awareness program aimed at the wider airport community. Sessions included discussions on the evolution of Aviation Security, the new legislation, incident reporting and background into national contingency arrangements.

A tabletop exercise, "Tropic Time" was also conducted involving organisations such as Northern Territory Police, Australian Federal Police Protective Service, Qantas, RegionalLink, Virgin Blue, Royal Brunei, Garuda Indonesia and RAAF.

Also in May, Darwin International Airport participated in the RAAF Exercise "Black Cockatoo 2005" aimed at increasing efficiency of security at the RAAF base Darwin.

Darwin International Airport's Checked Bag Screening facilities for both International and Domestic travellers

The \$11 million Checked Bag Screening Project is due for completion in October 2005. When complete, the project will place DIA at the forefront of airport security incorporating both international and domestic checked bag screening facilities.

To date, the installation of the new check in counters and airline service desks, X-ray units, conveyors and computers has brought about extensive terminal redesign. As a result the terminal has developed into a multi-user environment which allows for future expansion and implementation of the Airport's Master Plan.

'alice springs airport is used as a staging point for military aircraft in transit.'





COMMERCIAL DEVELOPMENT

Property Development

Darwin International Airport is Australia's closest airport to Asia and provides facilities for international, domestic and regional passenger airlines and for general aviation and helicopter traffic.

Many of the strengths of Darwin and the Northern Territory are especially relevant to the commercial property development of the airport. Strong resource industries, good lifestyle, stable Government, high quality infrastructure, educated and skilled workforce have all contributed to the booming property development of the Airport.

Many projects have been completed during the last 12 months, equating to an approx \$6 million investment by ADG. New projects are on the horizon for the development of the Airport Business Park, including a \$9 million Retail Warehouse to be leased by Northern Territory Airports to Bunnings Hardware.

Commercial Development Projects

ABC Childcare

- Capacity up to 75 children
- Building Area 472m²
- Opened June 2004

Darwin Airport Resort

- 130 rooms made up of deluxe suites, family suites, business suites and deluxe bungalows and resort suites accommodation
- Administration offices, function room with conference facilities
- Indoor outdoor bar areas and Essence restaurant
- Resort style pool/water recreation area
- Land Area 3.5 hectares
- Opened May 2005

Civil Aviation Safety Authority (CASA)

- Northern Territory Head Office, Administration offices
- Building Area 740m²
- Scheduled Opening September 2005

Australian Quarantine and Inspection Service (AQIS)

- Northern Territory Head Office, Administration and Laboratory
- Building Area 1,638m²
- Scheduled Opening September 2005

Hardware Mega Store

- Hardware store, over 400 car parks
- Building Area 14,000m²
- Scheduled Opening Late 2006

MASTER PLAN APPROVALS

Alice Springs Master Plan & Environment Strategy

The Master Plan and Environment Strategy for Alice Springs Airport was approved by Federal Government in December 2004. Both are important planning tools for the growth of Alice Springs Airport.

The reports' key findings for Alice Springs Airport are:

- The option to close the little used runway 06/24 and upgrade runway 17/35 for all weather use.
- A proposal for a rural residential development, subject to further approval on the northern boundary of the airport site.
- The potential provision of passenger processing facilities for international visitors to fly directly to Alice Springs.
- Concepts to progressively redevelop the existing terminal.
- The detailed review of environmental aspects and details of how the airport will operate without adverse impact on the environment and preserve cultural and heritage values.

Darwin International Airport Master Plan and Environment Strategy.

The purpose of the Airport Master Plan is to provide insight into the facilities and services required to support increasing airport activities until the year 2024, including opportunities for development of the commercial precincts within the airport land.

Development objectives such as safety and security, quality of service, capacity and operating efficiency, traffic growth, environmental compatibility and financial viability are outlined in the master plan.

After many months of construction and consultation, the Darwin International Airport Master Plan and Environment Strategy gained approval by Federal Government in December 2004.

Objectives at Darwin International Airport are:

- Proposal to construct a northern parallel taxiway to increase main runway capacity.
- Doubling of aircraft apron parking during the twenty year timeframe to accommodate future growth.
- Incremental expansions to the main terminal required to accommodate future growth and the implementation of new security measures.
- Changes to public and commercial vehicle access to the main terminal precinct to facilitate increased traffic and increased security guidelines.
- Development of its land bank in three main area precincts to support a range of commercial, service and tourist business uses.
- Detailed flora and fauna studies to support the creation of a large environment reserve and fragmented buffer zones in order to maintain and enhance biodiversity.
- Preservation and management of the airport controlled section of the Rapid Creek corridor to conserve its unique environment and ensure greater recreational access and public amenity.



ALICE SPRINGS AIRPORT

Operational Works underway at Alice Springs Airport

Tenders were called at Alice Springs Airport for approximately \$1 million worth of civil engineering works to improve the General Aviation facilities as foreshadowed in the 2004 Master Plan approved by the Federal Minister

After over 50 years of aviation use, reconstruction of runway 17/35 is underway and once this runway is completed and recommissioned, the old part gravel runway 06/24 will be permanently closed.

Taxiway A1 is currently a gravel taxiway, leading from the General Aviation (GA) apron to the west and with parts of the abandoned runway 06/24, will also be converted to sealed Taxiway B leading to runway 17/35.

When completed, Alice Springs Airport will no longer be subject to the impact of wet weather on its movement areas with all taxiways and runways being sealed.

A number of other projects are also included such as an extension of the commuter apron to provide additional parking area for large twin engine light aircraft.

Landside works will also be undertaken, including the reconstruction of the existing road accessing the GA areas.

Consultants are being appointed to plan for the expansion of the General aviation Building area including a new entry from Roger Vale Drive, again in line with the Master Plan, allowing additional tenants to establish on the airport.

Japanese Charter Flights into Alice Springs

Alice Springs Airport enjoyed a cycle of international charter flights from Japan during the year.

The successful charters included a fully booked Tokyo (Kintetsu) charter and the first ever charter from Nagoya (NTA), which was loaded with about 300 Japanese tourists. The Kintetsu charter sold out in about 6 weeks.

The itinerary for the several hundred Japanese tourists who visited Central Australia included a tour of Uluru and Kata Tjuta and also an evening at the Orraminna Homestead experiencing the warm Northern Territory hospitality.

Alice Springs Airport facilitated the JAL (Japan Airlines) flights with the National Passenger Processing Committee who coordinated all government agencies. The use of the B747 aircraft by JAL for the flights required the positioning of an aircraft tug and additional fire tender for the period.

'alice springs airport enjoyed a cycle of international charter flights from japan during the year'





DARWIN INTERNATIONAL AIRPORT

Future Terminal Initiatives

With the completion of the Northern Territory Airport's second Master Plan in December, 2004, capital investment and infrastructure needs were determined for our airports. Together with consideration of stakeholder's requirements, a cohesive series of airport developments commenced at Darwin International Airport.

In striving to improve our traveller's experiences, ADG have begun the process of enhancing our airport terminals through refurbishing and theming of the Arrivals Halls and Departures Lounges.

Terminal upgrading, including new carpet and tiling, repainting and new seating is expected to be completed early 2006.

Other future initiatives include upgrade to public toilets, new way-finding/directional signage, installation of airport service counters and boarding gate counters. New baggage trolleys will be available for passenger use in November 2005.

DIA Terminal Upgrade

DIA's only terminal building accommodates regional, domestic and international travellers.

The recently completed "Swing Lounge" on the first floor, creates a space in the middle of the terminal between the international and domestic departure lounges. This space is fitted with sliding glass walls to increase the size of the domestic or international departure lounges respectively during peak periods and can also be used as a VIP facility with direct access to boarding aircraft. The swing lounge offers greater flexibility to the terminal.

The installation of new check in counters and airline ticket counters, X-ray units, conveyors and computers has brought about extensive terminal redesign at Darwin International Airport. As a result the terminal has developed into a multi-user environment which allows for future expansion and implementation of the Airport's Master Plan.

ADG installed a new Flight Information Systems (FIDS) to assist passengers with up to date and clear flight information.

The Master Plan forecasts that demand for public car parking will increase considerably over the next 20 years. Work on the public car parking infrastructure is now well underway. Vehicle access to the front of the terminal has been altered to separate commercial vehicles from cars and the provision of a taxi amenities facility. The project will also provide covered walkways to public car parks and is expected to be completed by December 2005 at an estimated cost of around \$3 million.

A wireless hot spot (Wi-Fi) was installed in the Terminal public departure lounge at Darwin International Airport in November 2004. Wi-Fi provides travellers with wireless and wired internet access within the Terminal. Travellers are able to use their laptops to connect wirelessly to the Internet anywhere in the Terminal.

Operational Works at DIA

During the year design work progressed for aircraft parking Bays 11/12 at Darwin International Airport.

The new Bays 11/12, when completed, will enable the existing apron bays to be reconfigured to meet larger aircraft spacing clearances with the ability to park 2 additional B767-300 type aircraft.

The first part of this project, Stage A which is works for construction of RPT apron extension of the old Ground Support Equipment area to cover existing lay over aircraft parking demand was completed in October 2005.

Associated with this project is installation of upgraded apron floodlighting commencing in October 2005.

TENNANT CREEK AIRPORT

Charles Eaton Display

A Charles Eaton display has been completed for Tennant Creek Airport and is located in the Terminal building for viewing by travellers and visitors.

GROUP CAPTAIN CHARLES "MOTH" EATON OBE (Mil.), AFC, MID (1895-1979)

In 1929-1931, Charles Eaton entered Australian aviation legend when commanding the air searches for the two lost aircraft "Kookaburra" and the "Golden Quest" in Central Australia.

His DH9A A1-1, the first aircraft registered in the RAAF, caught fire in the air and crashed at Tennant Creek, Northern Territory. He earned his sobriquet "Moth" after flying the first metal DH Gipsy Moth in the "Great Air Race" Sydney-Perth in 1929.

DARWIN AIRPORT

Rapid Creek

Over the last year Darwin International Airport has continued its strong commitment of working with various stakeholders to enhance and showcase the Rapid Creek area, a significant freshwater creek on Airport land. A number of projects were implemented throughout the area improving public access to the site.

With the help of Green Corps (a Commonwealth Government Youth Program), construction was completed on public access pathways along pandanus habitats, wetlands, fern fields and woodland areas along the length of the creek. During this program 1,000 trees were planted to insulate the sensitive wetland habitats from development areas, which now forms part of the Airport's designated wetland buffer zone.

A viewing platform near the Darwin Airport Resort also formed part of this project, enabling guests and visitors to the Airport and the general public to enjoy this unique area of Rapid Creek.

The work of the Larrakia Rangers will also complement the visitor access path, viewing and resting areas due to go into the Yankee pools area during the late dry Season. The Rangers are helping to establish and keep the areas presentable for visitors while carrying out land management works to enhance the natural values of the area.

New Waste Transfer Station and Recycling Program

Darwin International Airport relocated the airside waste facility by constructing a new landside waste transfer station.

The improved landside facility now permits the introduction of solid waste recycling. DIA staff worked with Waste Master and various terminal stakeholders to introduce a comprehensive recycling regime.

The new facility allows a more efficient and safe waste service, while the recycling program will improve environmental outcomes and reduce the waste disposal costs to operators.

Matboerrma Garden

The Matboerrma Native Garden which was designed and constructed by Greening Australia NT is located a short stroll from the DIA Terminal. Interpretive signage was recently designed and completed for the project.

The interpretive signage which was designed by Jasmine Foxlee and received input from Greening Australia, Larrakia Nation and the Larrakia Rangers.

The traditional owners of the greater Darwin area, the Larrakia People, provided valuable indigenous knowledge and perspective for the interpretive signs that feature throughout this garden.

This garden takes the visitor through a mini journey of various Top End plant communities with an earth path that directs travellers through different habitats, various seating facilities, a pond and water feature displaying Top End limestone.

'darwin international airport has continued its strong commitment of working to enhance and showcase the rapid creek area'





Wildlife Hazard Management

This year also saw the formalisation of a Wildlife Hazard Management System, adopted by Northern Territory Airports to minimise the risk of wildlife strikes to aircraft. This system was signed off as a joint system between Northern Territory Airports and the Department of Defence.

The system will comply with the Civil Aviation Safety Regulations Part 139 and will assist in obtaining accurate information on wildlife activity which will help identify wildlife hazards for the safe operation of aircraft and to enable actions to be taken to prevent future strikes.

This year also saw the commencement of a Grass Trial on the DIA airfield. The study aims to identify the relationship between airfield grass lengths and bird species composition, density and the resulting impact on bird strike rates.

The objective is to determine if by modifying the heights of the grass on the airfield, the risk of serious bird strikes occurring on airport can be decreased. The one year trial commenced in the last quarter of the 04/05 reporting period and has been set up with grass heights being mowed at 150mm, 300mm and 450mm along the length of the airfield.

Results thus far are encouraging, indicating that the longer grass plots contain significantly less bird numbers than the traditional 150mm grass regime. This trial will continue through to April – May 2006.

ALICE SPRINGS AIRPORT

Review of Airport Landscaping

In 1989 Alice Springs Airport made a commitment to promote arid zone landscaping. This commitment drove the establishment of the award winning Antekeye Garden and airport road side tree planting. This past year has seen a review into the current state of the native gardens on the airport.

The review conducted an assessment of Airside, Landside and ASA native garden areas. The review identified a number of recommendations and maps highlighting the designation of clear boundaries for maintenance activities.

Specific landscaping guidelines have been developed from the review to aid in all future landscape planning on the Airport. In addition the original landscaping maintenance manual was updated to reflect the native vegetation present on the Airport today.



New Spill Stations at Alice Springs Airport

Over the past year a number of spill training sessions were provided for the staff and tenants on ASA. The training conducted helped participants to identify the characteristics, purpose and use of the different types of spill control equipment and to be able to describe the appropriate action in the event of an oil/chemical spill.

Participants were encouraged to reflect on their own hydrocarbon handling procedures and to consider personal contingency plans. They also had an opportunity to see the differing types of absorbents that are available on the market and their individual characteristics. The course included an understanding of the properties of hydrocarbons and the techniques and equipment to control, contain and clean up spills.

Staff and tenants attending the course were made aware of the Environmental and Spill Policies of Northern Territory Airports. They not only gained confidence on how to use emergency response equipment but also gained knowledge of the types of equipment available to allow themselves to review and improve their own hydrocarbon handling techniques.

Following this training new spill stations were installed on the General Aviation Apron, Air BP bowser refuelling point and on the Commuter Apron. These spills kits are available for use by tenants in the event of a spill.

7-Mile Heritage Precinct

Over the past year a Conservation and Management Plan of the heritage values of the 7-Mile Precinct has been developed and will form the basis of a Heritage Agreement under the *Heritage Conservation Act* between the Northern Territory Government and Northern Territory Airports.

The complex of buildings that today forms the "7-Mile Aerodrome" is a site of high heritage significance, not only for the role which the area played in World War II (of which it remains as one of Australia's most intact airfields from that period), but also for the role it played and continues to play in the developing aviation history of the town.

The buildings of heritage value within the Aerodrome continue to be used, including the control tower and old terminal hangers. The continual occupancy by tenants plays a significant role in ensuring that the buildings are maintained as operational airport assets.



'specific landscaping guidelines have been developed from the review to aid in all future landscape planning'

ADG AND THE COMMUNITY

Airport Development Group (ADG) has continued to actively support the community by not only encouraging positive involvement by its staff in community projects, but with financial assistance to the many Territory based charities and the community initiatives.

Throughout the year airport staff have encouraged ADG stakeholders to participate in a number of fund raising programs.

In January 2005, Wildcare, who operate an emergency service and rescue for native animals, received a new Microscope with Video attachment for animal treatment. The microscope was purchased through the Corporate Giving Program.

With the assistance of Aromas Café in the domestic terminal at Darwin International Airport, staff and travellers celebrated the Biggest Morning Tea, raising worthwhile funds for the Cancer Council.

Darwin Airports' second charity golf day proved a big success with funds raised going to one of the Somerville Community Service homes for the profoundly disabled. The funds will help build a new therapy swimming pool.

Other fund raising projects for the year included a trivia night, held at the new Airport Resort, (where funds were raised for a cane toad awareness program), support for Angel Flight, (a charity that flies needy patients and carers to specialised medical care across Australia), Relay for Life for the Cancer Council and Salvation Army.

In Alice Springs, our ADG receptionist is a Wildlife carer for orphaned baby kangaroos. The kangaroo

babies are a much loved addition to the office environment. The babies Sam, Jack and Amy will be released in about six month's time.

As part of the "Life Be In It" Corporate Challenge, Darwin International Airport staff entered a team in the Aquathon Challenge, run in conjunction with the NT Government and Australian Central Credit Union. The DIA team swam, ran and walked over the 6 week period to finish the overall winners.

ADG recognise that committed teamwork plays a vital role in the success of our airports.

ARAFURA GAMES

Darwin International Airport welcomed athletes and sporting delegations from around Australia and the Asia Pacific for the 2005 Arafura Games held in May 2005.

DIA was a sponsor of the biennial event and provided a range of airport services for the visitors. The games provide competition for Australian athletes and developing athletes across the Asia Pacific region and beyond. Airport staff competed in the Triathlon event and corporate Beach Volley Ball.

ADG AND THE ARTS

To support the growing development of the arts in the Northern Territory, ADG have elected to continue participation in the corporate sponsorship program for the Darwin Symphony Orchestra.

Our continued support of the many issues forming part of what we believe are the Company's social responsibilities, contributes to ADG's overall performance and sustainability.

'adg recognise that committed teamwork plays a vital role in the success of our airports'





DIRECTORS

Mitchell King, Chairman and Director

ADG Board

Mitchell King is Chairman of the ADG Board. He has been a Director with Hastings since 1997 and has been primarily responsible for Australian Infrastructure Fund.

Mr King is on the Board of Directors of many of AIF's assets including Northern Territory Airports (Darwin, Alice Springs and Tennant Creek Airports), Port of Portland Pty Ltd, and Statewide Roads Limited.

Chris Wade, Director

ADG Board

Chris Wade is a director of Airport Development Group Pty Limited, Metro Transport Sydney Pty Limited, Transtoll Pty Limited, ElectraNet Pty Limited and is an alternate director to Tiaki Plantations Company and Interlink Roads Pty Ltd.

Mr Wade joined Hastings in July 2001 as an Associate, Infrastructure and is now involved in the examination of new opportunities and valuation of infrastructure assets, including transport and road projects. He is involved in the negotiation and implementation of infrastructure investments.

Dominic Helmsley, Director

ADG Board

Mr Helmsley is the Business Development Director for BAA International. He joined BAA International in 1996 and has worked throughout Asia, United States, Latin America and the Middle East pursuing potential opportunities for BAA. He has also been closely involved in the development and review of BAA's international strategy as it has evolved over the last three years.

Stuart Condie

Alternate Director to Dominic Helmsley

Stuart Condie is currently Planning & Surface Access Director at BAA plc and responsible for airport and local authority planning, noise and air quality, aerodrome safeguarding and surface access issues across the Group. He is also a non-executive director of Heathrow Express Operating Company, Director of Perth Airport, Australia, and of BAA's Pension Fund.

Since joining BAA in 1985 Stuart has held a variety of management posts including Corporate Treasurer, Head of International Strategy, Head of IT at Gatwick and Director of Economics & Regulation. Stuart has an MA from Cambridge and an MBA from City University.



Mitchell King



Chris Wade



Dominic Helmsley



Brett Lazarides

Brett Lazarides, Director

ADG Board

Mr Lazarides has over 19 years professional experience in financial services. He is currently Head of Infrastructure for Perpetual Investments. His responsibilities include the acquisition and ongoing management of unlisted equity investments in major infrastructure projects, primarily for wholesale superannuation funds and other institutional clients.

Mr Lazarides current role was preceded by over 12 years with National Australia Bank Limited, both within its funds management subsidiary, National Asset Management Limited and previously, National's Global Project & Structured Finance Division. Here he held directorships for investments established within the airport, tollway, pipeline, rail, communications and timberland sectors and arranged wholesale specialised debt and tax-based funding for Australian and multi-national corporations, respectively.

Mr Lazarides is a Director and Executive Committee member on the Australian Council for Infrastructure Development, Chairman of Airport Development Group Risk & Audit Committee and is a Fellow of the Australian Institute of Company Directors.

Emilio Gonzalez

Alternate Director to Brett Lazarides

Mr Gonzalez has been with Perpetual since 1990 and is currently Chief Investment Officer (CIO). As CIO, he is the chair of Perpetual's Investment Policy Committee, Perpetual's Multi-Manager Investment Policy Committee and Perpetual James Fielding Investment Committee. He has extensive background in investment management, having worked across most areas of Perpetual's asset management division.

Mr Gonzalez received a Bachelor of Commerce (Economics) degree in 1985 from University of Wollongong. In 1990, he completed the Graduate Diploma in Applied Finance from the Securities Institute. In 1992, he received the Chartered Financial Analyst (CFA) designation from AIMR and in 2000, he completed the Advance Portfolio Management course offered by New York Institute of Finance. Emilio was the President of the Sydney Society of Financial Analysts (1999-2001) and is currently serving a term on the Board of Governors for the CFA Institute (formerly the Association of Investment Management & Research (AIMR)), an industry body representing over 60,000 investment professionals worldwide.

THE MANAGEMENT TEAM

Area	Executive	Title
	Ian Kew	Chief Executive Officer
Finance	Tom Ganley	Chief Financial Officer/Company Secretary
Aviation Development	Peter Roberts	Aviation Development Director
Commercial	Brett Reiss	General Manager Commercial and Property
Environment	Dan Richards	Environmental Coordinator
Operations, Technical	John Diggins	General Manager Development, Operations & Maintenance
Operations	Robert Calaby	Operations Manager
Alice Springs	Don McDonald	General Manager Alice Springs & Tennant Creek Airport





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■ director's report

Your directors submit their report for the year ended 30 June 2005.

DIRECTORS

The names of the directors of the company in office during the financial period and until the date of this report are shown in note 23.

PRINCIPAL ACTIVITIES

The principal activity of the Airport Development Group Pty Ltd (ADGPL) was that of a holding company.

OPERATING RESULTS

The consolidated entity achieved an after tax profit of \$3,608,476 for the reporting period ended 30 June 2005. This compares with the 2003/04 after tax profit of \$5,113,377. Consolidated revenue increased from \$31,061,478 to \$37,336,403 whilst total consolidated expenses including depreciation, borrowing costs and income tax, increased from \$25,948,101 to \$33,727,927.

DIVIDENDS

ADGPL has paid unfranked dividends of \$13,100,000 during the year. (2004: \$6,553,001)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant change in the nature of the company's activities occurred during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no events, which have arisen since the end of the financial year, which have significantly affected or may significantly affect;

- the operations of the consolidated entity and parent company;
- the results of those operations; or
- the state of affairs of the consolidated entity and parent company in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

ENVIRONMENT REGULATION

The entity operates under the Airport (*Environmental Protection*) Regulations that form part of the *Airports Act 1996*. Other Commonwealth and Northern Territory legislation applies where regulation under the *Airports Act 1996* has not been prescribed. The *Air Navigation Act 1920* also applies to the entity, particularly in respect of noise.



'adg performance for the financial year exceeded budget expectations'

■ director's report

There have been no significant breaches of the applicable legislation.

RISK AND AUDIT COMMITTEE

The board is responsible for the overall governance of the company including setting the company's strategic direction, establishing goals for management and monitoring the achievement of those goals. Directors are accountable to the shareholders for the company's performance. To assist in the execution of its corporate governance responsibilities, the board has in place a Risk and Audit Committee (RAAC). This committee currently consists of three directors, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). The RAAC meets a minimum of four times per year and operates under a charter approved by the board.

INSURANCE OF OFFICERS

During the financial year the company has paid a premium to insure all directors and officers who are, or have been, directors and officers of the company and its controlled entities against certain liabilities they may incur in carrying out their duties for the company. The terms of the policy prohibits disclosure of the nature of the liabilities, the amount of insurance cover and the amount of the premium.

DIRECTORS BENEFITS AND EMOLUMENTS

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the parent entity or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

No remuneration has been paid or is payable to any director of the company.

SHARE OPTIONS

No options to shares in ADGPL have been granted during the financial year and there were no options outstanding at the end of the financial year.

CORPORATE STRUCTURE

ADGPL is a company limited by shares that is incorporated and domiciled in Australia. The registered office is 1 Fenton Court Marrara NT 0812. The entities that it had one hundred percent ownership of during the financial year are Northern Territory Airports Pty Ltd and Tennant Creek Airport Pty Ltd.

EMPLOYEES

Airport Development Group Pty Ltd employed 54 employees as at 30 June 2005. (2004: 55 employees)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34.

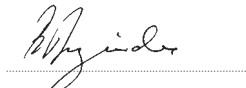
This report is made in accordance with a resolution of the directors.



Director

Melbourne, Victoria

Date: 27 October 2005



Director

■ auditor's independence declaration

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF AIRPORT DEVELOPMENT GROUP PTY LTD

In relation to our audit of the financial report of Airport Development Group Pty Ltd for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Merit Partners



Aminul Islam

Partner

27 October 2005

■ statement of financial performance

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	Note	CONSOLIDATED		COMPANY	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenues from ordinary activities	2(b)	37,336,403	31,061,478	13,414,187	12,663,010
Depreciation and amortisation expense		7,639,353	6,423,596	0	0
Borrowing costs		6,038,370	5,773,244	0	0
Salaries and employee benefits		5,127,062	4,790,099	0	0
Maintenance expense		2,108,476	1,536,677	0	0
Security and passenger screening charges		4,895,573	3,855,172	0	0
Technical Services Agreement expense		1,270,796	887,854	0	0
Services and utilities expense		2,284,042	2,133,676	0	0
Other expense from ordinary activities		3,029,292	3,180,229	0	0
Profit from ordinary activities before income tax expense		4,943,439	2,480,931	13,414,187	12,663,010
Income tax benefit / (expense) relating to ordinary activities	3	(1,334,963)	2,632,446	(4,024,257)	(311,881)
Operating profit from ordinary activities after related income tax	18	3,608,476	5,113,377	9,389,930	12,351,129
Total changes in equity other than those arising from transactions with owners as owners		3,608,476	5,113,377	9,389,930	12,351,129

The Statement of Financial Performance should be read in conjunction with the accompanying notes to the accounts

■ statement of financial position

AS AT 30 JUNE 2005

		CONSOLIDATED		COMPANY	
	Note	2005 \$	2004 \$	2005 \$	2004 \$
Current Assets					
Cash	4	3,185,921	4,204,331	0	0
Receivables	5	4,613,345	4,646,370	0	0
Other	6	148,095	72,099	0	0
Future income tax benefit	3	490,865	2,650,750	490,865	2,650,750
Total Current Assets		8,438,226	11,573,550	490,865	2,650,750
Non-Current Assets					
Receivables	7	0	0	103,569,962	103,261,903
Investments	8	0	0	24	24
Infrastructure, plant and equipment	9	86,830,658	75,063,081	0	0
Intangibles	10	15,483,815	15,652,268	0	0
Deferred expenditure	11	13,908,308	14,372,014	0	0
Future income tax benefit	3	1,425,181	0	1,425,181	0
Total Non-Current Assets		117,647,962	105,087,363	104,995,167	103,261,927
Total Assets		126,086,188	116,660,913	105,486,032	105,912,677
Current Liabilities					
Payables	12	6,930,164	4,579,721	0	6,128
Interest bearing liabilities	13	0	174,952	0	0
Provisions	14	933,135	880,920	0	0
Current tax liability	3	599,474	0	599,474	0
Provision for deferred income tax	3	6,868	6,083	6,866	6,081
Total Current Liabilities		8,469,641	5,641,676	606,340	12,209
Non-Current Liabilities					
Payables	3	0	0	5,645,844	2,956,550
Interest bearing liabilities	15	102,200,000	86,200,000	0	0
Provisions	16	230,322	141,488	0	0
Total Non Current Liabilities		102,430,322	86,341,488	5,645,844	2,956,550
Total Liabilities		110,899,963	91,983,164	6,252,184	2,968,759
Net Assets		15,186,225	24,677,749	99,233,848	102,943,918
Equity					
Contributed equity	17	60,765,344	60,765,344	60,765,344	60,765,344
Retained (losses)/profits	18	(45,579,119)	(36,087,595)	38,468,504	42,178,574
Total Equity		15,186,225	24,677,749	99,233,848	102,943,918

The Statement of Financial Position should be read in conjunction with the accompanying notes to the accounts

■ statement of cash flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

		CONSOLIDATED		COMPANY	
	Note	2005 \$	2004 \$	2005 \$	2004 \$
Cash Flows from Operating Activities					
Receipts from customers		40,880,086	32,676,705	0	0
Payments to suppliers and employees		(19,748,817)	(18,204,252)	0	0
Interest received		250,406	203,646	13,414,187	12,663,010
Borrowing costs		(5,979,618)	(6,050,813)	0	0
Goods and Services Tax paid		(1,740,502)	(506,089)	0	0
Net cash flows from operating activities	24	13,661,555	8,119,197	13,414,187	12,663,010
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment		(17,467,968)	(4,764,928)	0	0
Proceeds from sale of plant and equipment		62,955	110,227	0	0
Advances to related parties		0	0	(314,187)	(6,044,441)
Net cash flows used in investing activities		(17,405,013)	(4,654,701)	(314,187)	(6,044,441)
Cash Flows from Financing Activities					
Proceeds from borrowings		16,000,000	3,500,000	0	0
Dividends paid		(13,100,000)	(6,618,569)	(13,100,000)	(6,618,569)
Net cash flows (used in) / from financing activities		2,900,000	(3,118,569)	(13,100,000)	(6,618,569)
Net (decrease) / increase in cash held		(843,458)	345,927	0	0
Cash at beginning of the financial year		4,029,379	3,683,452	0	0
Cash at end of the financial year	24	3,185,921	4,029,379	0	0

The Statement of Cash Flows should be read in conjunction with the accompanying notes to the accounts

■ notes to and forming part of the financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report has been prepared in accordance with the historical cost convention.

The financial report is a general financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

a) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

b) Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit or loss before income tax adjusted for any permanent differences.

The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

c) Foreign Currency Translation

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit and loss for the year.

d) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured

Aeronautical Charges

Comprise:

- Passenger based charges for scheduled regular public transport (rpt) passenger services.
- Landing based charges for unscheduled, general aviation or non passenger services.
- Passenger based charges for the use of terminal facilities.
- Safety and security charge levied on a per passenger basis in respect of government mandated security charges where one hundred percent cost recovery applies.

Trading Income

Comprises concessionaire rent, overages and other charges received including income from public car parks.

Property

Comprises income from company owned terminals, buildings and other leased areas.

e) Receivables

Trade receivables are recognised and carried at original invoice amount.

Recoverability of trade debtors is reviewed on an ongoing basis. A provision for debts where recoverability is deemed to be doubtful is raised. Debts, which are known to be unrecoverable, are written off.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

f) Acquisition of Assets

The cost method of accounting is used for all acquisition of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Where shares are issued on acquisition, the value of the shares is determined by reference to the fair value of the assets acquired, including goodwill and other intangible assets where applicable.

g) Recoverable Amounts

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflow arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market determined, risk-adjusted discount rate.

h) Infrastructure Assets and Plant and Equipment

(i) Cost and Valuation

The cost base assigned to infrastructure assets and plant and equipment is set out in note 9.

(ii) Depreciation and Amortisation

Infrastructure, plant and equipment (including infrastructure assets under lease) have been depreciated using the straight-line method based upon the estimated useful life of the assets to ADGPL.

Depreciation and amortisation rates used are as follows:

	2005	2004
Runways Taxiways & Aprons	4.0% - 15.0%	4.3%
Roads & Car parks	5.0% - 20.0%	8.7%
Fences & Gates	12.0% - 15.0%	12.0%
Lighting & Visual Aids	10.0%	10.0%
Passenger Terminal	4.0% - 20.0%	4.0% - 10.0%
Buildings	2.8% - 15.0%	4.0% - 10.0%
Plant & Equipment	4.0% - 33.0%	10.0% - 20.0%
Vehicles	15.0% - 20.0%	15.0% - 18.0%
Computer Equipment	33.0%	33.3%

During the year a review of depreciation calculations were carried out. As a result of that review some assets were identified as being depreciated at a rate inconsistent with their useful lives. Depreciation was adjusted so that the written down value of the assets was revised to more accurately reflect their remaining useful lives. The resulting adjustment increased depreciation expense by \$1,117,408.

(iii) Leasehold Improvements

Leasehold improvements have been amortised over the shorter of the unexpired period of the lease and estimated useful life of the improvements.

i) Payables

Trade and other creditors represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

j) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdraft and loans
- senior debt agents fees
- ancillary costs incurred in connection with the ongoing conduct of borrowings.

The borrowing costs incurred in acquiring the senior debt bank loans have been capitalised and are being amortised over the period of the loan.

k) Maintenance and Repairs

Maintenance, repair costs and minor renewals, are charged as expenses as incurred.

l) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

■ notes to and forming part of the financial statements (continued)

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, and other leave benefits: and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

m) Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

n) Intangibles

Lease franchise fee

The franchise fee paid on the acquisition of the airport leases from the Federal Government, which represents the difference between the purchase price and the fair value attributed to the net tangible assets at date of acquisition. This lease franchise fee is being amortised on a straight line basis over the 99 year life of the lease.

o) Deferred Expenditure

Bid costs

The direct costs incurred in the purchase of the airport leases have been capitalised and are being amortised over the 99 year life of the lease.

Finance costs

The fees incurred in the underwriting of the senior debt were capitalised and are being amortised over 5 years being the period of the loan.

The balances of deferred expenditure are reviewed annually and any balance representing future benefits – the realisation of which is considered to be no longer probable – are written off.

p) Principles of Consolidation

The consolidated entity comprises the financial report of Airport Development Group Pty Ltd and of its controlled entities.

A controlled entity is any entity controlled by Airport Development Group Pty Ltd. Control exists where Airport Development Group Pty Ltd has the capacity to dominate the decision making in relation to the financial and operating policies of another entity.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amounts of goods and services tax, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

r) Derivative Financial Instruments

The consolidated entity has entered into interest rate swap agreements. These derivative financial instruments are not recognised in the financial statements on inception. The net amount receivable or payable under interest rate swap agreements is brought to account when due and payable under the terms of each contract. The amount recognised is accounted for as an adjustment to interest expense during the period.

s) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

		CONSOLIDATED		COMPANY	
	Note	2005 \$	2004 \$	2005 \$	2004 \$
NOTE 2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES					
a) Expenses and losses / (gains)					
Interest		5,937,976	5,657,320	0	0
Other borrowing expenses		100,394	115,924	0	0
Total borrowing costs		6,038,370	5,773,244	0	0
Depreciation					
- Plant and equipment		1,042,180	685,550	0	0
- Infrastructure assets		5,965,013	5,096,595	0	0
		7,007,193	5,782,145	0	0
Amortisation					
- Lease franchise fee		168,454	168,454	0	0
- Capitalised bid costs		140,899	140,899	0	0
- Capitalised finance costs		322,807	332,098	0	0
		632,160	641,451	0	0
Provision for doubtful debts expense		(132,121)	(392,441)	0	0
Other provisions					
- Employee benefits		98,571	60,658	0	0
Net gain on disposal of plant and equipment		(26,480)	(48,166)	0	0
Security and passenger screening charges		4,895,573	3,855,172	0	0
(b) Revenue from Ordinary Activities					
Rendering of Services					
- Aeronautical Charges		22,022,432	17,562,373	0	0
- Trading income		4,983,830	4,609,113	0	0
- Property		4,513,828	4,080,381	0	0
- Other		5,502,952	4,495,738	0	0
Total Operating Revenues		37,023,042	30,747,605	0	0
Revenues from Non-Operating Activities					
Interest		250,406	203,646	13,414,186	12,663,010
Proceeds on sale of non current assets		62,955	110,227	0	0
Total Revenues from Ordinary Activities		37,336,403	31,061,478	13,414,186	12,663,010

■ notes to and forming part of the financial statements (continued)

	Note	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 3. INCOME TAX					
The prima facie tax on operating profit after ordinary activities differs from the income tax provided in the financial statements as follows:					
Prima facie tax on operating profit		1,483,031	744,281	4,024,257	3,798,903
Tax effect of permanent differences					
Amortisation of intangible assets		92,806	92,806	0	0
Other items (net)		(131,858)	5,268	0	0
(Under) / over provision in respect of the previous year		(109,016)	0	0	0
Recognition of tax benefit upon entry to consolidation and resetting tax values		0	(3,474,801)	0	(3,487,022)
		1,334,963	(2,632,446)	4,024,257	311,881
Income tax expense / (benefit) attributable to operating profit from ordinary activities		1,334,963	(2,632,446)	4,024,257	311,881
Comprising:					
Current tax payable		(599,474)	0	(4,024,257)	(311,881)
Future income tax benefit		(734,703)	2,638,529	0	0
Provision for deferred income tax		(786)	(6,083)	0	0
		(1,334,963)	2,632,446	(4,024,287)	(311,881)
Future income tax benefit – current		490,865	2,650,750	490,865	2,650,750
Future income tax benefit – non current		1,425,181	0	1,425,181	0
		1,916,046	2,650,750	1,916,046	2,650,750
Provision for deferred income tax		6,868	6,083	6,866	6,081
Northern Territory Airports Pty Ltd		0	0	(25,129)	(16,076)
Darwin International Airport Pty Ltd		0	0	5,094,006	2,715,078
Alice Springs Airport Pty Ltd		0	0	558,650	251,598
Tennant Creek Airport Pty Ltd		0	0	18,317	5,950
Total payable to related entities under tax sharing agreement		0	0	5,645,844	2,956,550

The future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for the tax deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation

Effective 1 July 2004 for the purposes of income taxation, Airport Development Group Pty Ltd and its 100% owned subsidiaries formed a consolidated group. Members of the group intend to enter a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata allocation based on taxable income. In addition the agreement will provide for the allocation of income tax liabilities between the entities should the parent entity default on its tax payment obligations. The parent entity of the group is Airport Development Group Pty Ltd. The head entity of the group for tax consolidation purposes is also Airport Development Group Pty Ltd.

	Note	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 4. CASH					
Cash balance comprises:					
- Cash on hand		16,536	16,536	0	0
- Cash at bank		3,169,385	4,187,795	0	0
Closing cash balance		3,185,921	4,204,331	0	0
NOTE 5. RECEIVABLES (CURRENT)					
Trade debtors		4,835,573	5,000,719	0	0
Less: Provision for doubtful debts		(222,228)	(354,349)	0	0
		4,613,345	4,646,370	0	0
NOTE 6. OTHER ASSETS (CURRENT)					
Prepayments		148,095	72,099	0	0
NOTE 7. RECEIVABLES (NON-CURRENT)					
From related parties		0	0	103,569,962	103,261,903
NOTE 8. INVESTMENTS					
Shares in subsidiary companies at cost price		0	0	24	24
NOTE 9. INFRASTRUCTURE, PLANT AND EQUIPMENT					
Plant and Equipment					
Plant and equipment – at cost		5,461,678	5,018,402	0	0
Provision for depreciation		(4,026,127)	(3,051,481)	0	0
Total Plant and Equipment		1,435,551	1,966,921	0	0
Infrastructure Assets					
Infrastructure assets under lease – at cost		103,135,083	99,758,879	0	0
Provision for depreciation		(35,039,493)	(29,074,479)	0	0
Total Infrastructure Assets		68,095,590	70,684,400	0	0
Work in progress		17,299,517	2,411,760	0	0
Total Infrastructure, Plant and Equipment		86,830,658	75,063,081	0	0
a) Assets pledged as security					
The bank has a fixed and floating charge over all present and future assets and undertakings of the company.					
The value of assets pledged as securities are:		86,830,658	75,063,081	0	0

■ notes to and forming part of the financial statements (continued)

b) Valuations

RJ Gardiner CPV in accordance with the Asset Valuation Handbook revalued land and building assets at 30 June 2004. The valuations were split between aeronautical assets and non-aeronautical assets and based on the depreciated optimized replacement cost (DORC). A revaluation adjustment has not been recorded in the financial statements. The valuation of land and buildings as at 30 June 2004 was \$144.47M compared to a written down value of \$45.85M as at the reporting date.

Opus International Consulting revalued the civil assets as at 31 December 2002. Civil assets include runways, taxiways, aprons, roads, car parks, services, lighting, fences and gates. The valuation was based on the depreciated optimized replacement cost (DORC). The DORC valuation of civil assets as at 31 December 2002 was \$47.98M compared to a written down value of \$22.22M as at the reporting date. A revaluation adjustment has not been recorded in the financial statements.

	Note	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
c) Reconciliations Plant & Equipment					
Carrying amount at the beginning		1,966,921	2,145,422	0	0
Additions		530,993	460,823	0	0
Transfer from work in progress		16,292	108,288	0	0
Disposals		(36,475)	(62,062)	0	0
Depreciation		(1,042,180)	(685,550)	0	0
Carrying amount at the end		1,435,551	1,966,921	0	0
Infrastructure Assets					
Carrying amount at the beginning		70,684,400	72,970,258	0	0
Additions		744,677	2,298,544	0	0
Transfer from work in progress		2,631,526	512,193	0	0
Depreciation		(5,965,013)	(5,096,595)	0	0
Carrying amount at the end		68,095,590	70,684,400	0	0
Work in progress					
Carrying amount at the beginning		2,411,760	620,481	0	0
Plant and equipment additions		62,314	12,103	0	0
Infrastructure additions		17,473,261	2,399,657	0	0
Transfers to plant and equipment		(16,292)	(108,288)	0	0
Transfers to infrastructure		(2,631,526)	(512,193)	0	0
Carrying amount at the end		17,299,517	2,411,760	0	0
NOTE 10. INTANGIBLES					
Lease franchise fee		16,676,910	16,676,910	0	0
Provision for amortisation		(1,193,095)	(1,024,642)	0	0
		15,483,815	15,652,268	0	0
NOTE 11. DEFERRED EXPENDITURE					
Capitalised bid costs		13,963,733	13,963,733	0	0
Provision for amortisation		(996,945)	(856,046)	0	0
		12,966,788	13,107,687	0	0
Capitalised finance costs		1,614,035	1,614,035	0	0
Provision for amortisation		(672,515)	(349,708)	0	0
		941,520	1,264,327	0	0
Total net deferred expenditure		13,908,308	14,372,014	0	0

	Note	CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 12.PAYABLES (CURRENT)					
Trade creditors		1,296,707	13,404	0	0
Other creditors		5,455,421	4,424,134	0	0
Retentions and deposits held		94,954	85,053	0	0
Payments received in advance		83,082	57,130	0	0
Amounts payable to wholly owned group		0	0	0	6,128
		6,930,164	4,579,721	0	6,128

NOTE 13.INTEREST-BEARING LIABILITIES (CURRENT)

Borrowings secured by fixed charge					
- Bank Overdrafts		0	174,952	0	0

The consolidated entity has access to a bank overdraft facility amounting to \$1,000,000 (2004: \$1,000,000) as part of the senior debt facility held in the name of Northern Territory Airports Pty Ltd. The bank has a fixed and floating charge over all present and future assets and undertakings.

NOTE 14.PROVISIONS (CURRENT)

Employee Benefits					
- Annual Leave		522,358	444,459	0	0
- Long Service Leave		378,077	399,844	0	0
Provision for fringe benefits tax		32,700	36,617	0	0
		933,135	880,920	0	0
Movement in provision for fringe benefits tax					
Carrying amount at the beginning of the year		36,617		0	
Amount utilised during the year		(113,526)		0	
Additional provisions		109,609		0	
Carrying amount at the end of the year		32,700		0	

NOTE 15. INTEREST - BEARING LIABILITIES (NON-CURRENT)

Borrowings secured by fixed charge:					
- Senior debt		102,200,000	86,200,000	0	0

The senior debt is secured by a fixed and floating charge over the company's present and future assets.

NOTE 16.PROVISIONS (NON-CURRENT)

Long Service leave		143,926	101,488	0	0
Other employee benefits		86,396	40,000	0	0
		230,322	141,488	0	0

■ notes to and forming part of the financial statements (continued)

	CONSOLIDATED		COMPANY	
Note	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 17. CONTRIBUTED EQUITY				
Issued and paid up capital				
40,765,344 ordinary shares of \$1 each fully paid and issued on incorporation. (2004: \$40,765,344)	40,765,344	40,765,344	40,765,344	40,765,344
2,000 redeemable preference shares of \$10,000 each fully paid on incorporation. These comprise of a par value of \$1 and a premium of \$9,999 (2004: 2,000)	20,000,000	20,000,000	20,000,000	20,000,000
Total paid up capital	60,765,344	60,765,344	60,765,344	60,765,344
NOTE 18. RETAINED PROFITS				
Balance at the beginning of year	(36,087,595)	(34,647,971)	42,178,574	36,380,446
Operating profit from ordinary activities after income tax	3,608,476	5,113,377	9,389,930	12,351,129
Total available for appropriation	(32,479,119)	(29,534,594)	51,568,504	48,731,575
Dividends provided for or paid	(13,100,000)	(6,553,001)	(13,100,000)	(6,553,001)
Balance at the end of year	(45,579,119)	(36,087,595)	38,468,504	42,178,574
NOTE 19. REMUNERATION OF DIRECTORS				
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party.	0	0	0	0
NOTE 20. REMUNERATION OF AUDITORS				
Remuneration of the auditors of the company for:				
Audit and review of financial statements of the entity and any other entity in the Consolidated entity	38,181	29,750	0	0
Other services	61,384	49,243	0	0
	99,565	78,993	0	0
Remuneration of auditors of the company other than Merit Partners for:				
Audit and review of financial statements of the entity and any other entity in the Consolidated entity	0	32,808	0	0
Other services	0	37,157	0	0
	0	69,965	0	0
Total remuneration of auditors	99,565	148,958	0	0
NOTE 21. CAPITAL COMMITMENTS				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Not later than one year	8,382,000	1,078,000	0	0

As part of its tender for the acquisition of the Darwin International and Alice Springs Airport leases, ADGPL's wholly owned subsidiaries, DIAPL and ASAPL, committed to the Commonwealth Government to fund capital expenditure for aeronautical infrastructure and other improvements totalling a minimum of \$4,449,000 during the 5 fiscal years 1998 to 2003 inclusive and additional sums totalling \$4,675,000 during the 5 fiscal years 2004 to 2008. To date DIAPL and ASAPL have funded a cumulative total of \$23,368,758 in capital expenditure towards this commitment to 30 June 2005.

		CONSOLIDATED		COMPANY	
	Note	2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 22. EMPLOYEE BENEFITS					
The aggregate employee benefit liability is comprised of:					
Accrued wages, salaries and on-costs		371,938	286,000	0	0
Provisions (current) – note 14		900,435	844,303	0	0
Provisions (non-current) – note 16		230,322	141,488	0	0
Leave benefits and accrued wages		1,502,695	1,271,791	0	0

Superannuation commitments

ADGPL contributes to the Australian Retirement Fund in respect of all its employees.

The Australian Retirement Fund is a complying fund under the Commonwealth superannuation law. It is an accumulation fund and contributions by ADGPL satisfy the entity's superannuation guarantee obligation for its employees.

NOTE 23. RELATED PARTIES

Directors

The directors of ADGPL during the financial year were:

Name	Appointed	Resigned
Mr Brett John Lazarides	30 January 2004	
Mr Emilio Gonzalez (alternate director for Brett Lazarides)	30 January 2004	
Mr Mitchell Sloey King (Chairman)	19 July 2000	
Mr Dominic James Helmsley	1 November 2003	
Mr Stuart James Condie (alternate director for Dominic Helmsley)	1 November 2003	
Mr Christopher Robert Wade	21 February 2003	

Remuneration

Information on remuneration of directors is disclosed in note 19.

Wholly-owned group transactions

Interest received and receivable	0	0	13,414,186	12,663,010
Aggregate amounts receivable	0	0	103,569,962	103,261,903
Aggregate amounts payable	0	0	5,645,844	2,956,550

Other related party transactions

BAA International Limited

DIAPL, ASAPL and TCAPL have entered into a consulting agreement with one of the shareholders of ADGPL, BAA International Limited. This is a commercially focused agreement and was executed on 29 May 2003.

Total expenditure	1,270,796	887,854	0	0
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■ notes to and forming part of the financial statements (continued)

		CONSOLIDATED		COMPANY	
	Note	2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 24. STATEMENT OF CASH FLOWS					
(a) Reconciliation of operating profit from ordinary activities after tax to net cash flows from operations					
Operating profit from ordinary activities		3,608,476	5,113,377	9,389,930	12,351,129
Depreciation and amortisation		7,639,353	6,423,596	0	0
Net profit on sale of property, plant and equipment		(26,480)	(48,166)	0	0
Change in operating assets and liabilities					
Other provisions		599,474	(18,115)	599,474	0
Provision for employee benefits		141,048	60,655	0	0
Trade and other receivables		33,026	(1,131,454)	0	0
Deferred expenditure		0	(274,992)	0	0
Future income tax benefit		734,703	(2,638,529)	734,703	(2,650,750)
Prepayments		(75,997)	1,394	0	0
Trade and other creditors and accruals		1,007,166	625,348	0	0
Other payables		0	0	2,689,294	2,956,550
Provision for deferred income tax		786	6,083	786	6,081
Net cash flow from operating activities		13,661,555	8,119,197	13,414,187	12,663,010
b) Reconciliation of Cash					
Cash on hand		16,536	16,536	0	0
Cash at bank		3,169,385	4,187,795	0	0
Bank Overdraft		0	(174,952)	0	0
		3,185,921	4,029,379	0	0
c) Finance facilities					
Bank overdraft facility		1,000,000	1,000,000	0	0
Amount of overdraft facility used		0	0	0	0
Senior debt facility		122,700,000	122,700,000	0	0
Amount of senior debt facility used		102,200,000	86,200,000	0	0

The consolidated entity has access to a bank overdraft amounting to \$1,000,000 (2004: \$1,000,000) as part of the senior debt facility held in the name of Northern Territory Airports Pty Ltd. For operational banking purposes balances are consolidated across the group and as at 30 June 2005 the consolidated entity had not utilised any of the bank overdraft facility (2004: Nil). Interest rates are variable.

NOTE 25. SEGMENT INFORMATION

The company operates in the aeronautical and related industries in the Northern Territory, Australia.

NOTE 26. SUBSIDIARIES

Airport Development Group Pty Ltd has the following wholly owned subsidiaries, which are incorporated in Australia:

Name	% of equity interest held by the consolidated entity		Investment	
	2005 %	2004 %	2005 \$	2004 \$
Northern Territory Airports Pty Ltd	100	100	12	12
Darwin International Airport Pty Ltd (a)	100	100	12	12
Alice Springs Airport Pty Ltd (a)	100	100	12	12
Tennant Creek Airport Pty Ltd	100	100	12	12

(a) Investments are held by Northern Territory Airports Pty Ltd.

NOTE 27. FINANCIAL INSTRUMENTS

a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Statement of Financial Performance Notes	Accounting Policies	Terms and Conditions
(i) Financial assets			
Receivables – Trade	5	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are on 30 day terms.
(ii) Financial liabilities			
Bank Overdrafts	13	The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it is paid.	Interest is charged at the bank's benchmark rate. For operational banking purposes balances are consolidated.
Bank loan – senior debt	15	The bank loan is carried at the principal amount. Interest is charged as an expense as it accrues.	The senior debt facility is a 5 year \$122.7M bank facility, including a \$40M capital expenditure facility. The loan is due for repayment on 6 June 2008. Average interest charged for the year was at 6.50%. The bank has a fixed and floating charge over all present and future assets and undertakings of the company but exclude the property which is located outside the Northern Territory or the Australian Capital Territory.
Payables	12		Trade liabilities are normally settled on 30 day terms.

Off balance sheet Derivative Instruments

In the normal course of business, the consolidated entity is party to financial instruments with off balance sheet risk in order to hedge exposures to fluctuations in interest rates for senior debt. It is a requirement of the consolidated entity's funding arrangements that a specific portion of its senior debt be hedged against movements in interest rates. Accordingly, the consolidated entity has entered into floating to fixed interest rate swap contracts.

The consolidated entity's exposure to interest rate risk for each class off-balance sheet financial asset and financial liability is set out below. The balance represents the notional principal amount of the contract.

	Floating interest rate	Fixed interest over 1 – 5 years	Fixed interest over 5 years	Non Interest bearing
30 June 2005				
Interest rate swaps	42,613,211	(42,613,211)	0	0
30 June 2004				
Interest rate swaps	75,894,357	(75,894,357)	0	0

NOTE 27. FINANCIAL INSTRUMENTS (CONT)

b) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating Interest rate		Fixed interest rate maturing in						Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate			
			0-3 Months		4-12 Months		Over 1-5 years								More than 5 years	
			2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$							2005 \$	2004 \$
(i) Financial assets																
Cash and liquid assets	3,185,921	4,204,331										3,185,921	4,204,331	3.63	4.42	
Receivables - trade									4,613,345	4,646,370	4,613,345	4,646,370	N/A	N/A	N/A	
Total financial assets	3,185,921	4,204,331							4,613,345	4,646,370	7,779,266	8,850,701	N/A	N/A	N/A	
(ii) Financial liabilities																
Payables									6,930,164	4,579,721	6,930,164	4,579,721	N/A	N/A	N/A	
Bank overdrafts	0	174,952									0	174,952	N/A	N/A	9.60	
Bank loan - senior debt								102,200,000	86,200,000			102,200,000	86,200,000	6.50	6.39	
Total financial liabilities	0	174,952						102,200,000	86,200,000	6,930,164	4,579,721	109,130,164	90,954,673			

■ notes to and forming part of the financial statements (continued)

c) Net fair values

The aggregate net fair value of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2005 \$	2004 \$	2005 \$	2004 \$
Financial assets				
Cash and liquid assets	3,185,921	4,204,331	3,185,921	4,204,331
Receivables	4,613,345	4,646,370	4,613,345	4,646,370
Interest rate swaps	0	0	911,011	263,682
Total financial assets	7,799,266	8,850,701	8,710,277	9,114,383
Financial liabilities				
Payables	6,930,164	4,579,721	6,930,164	4,579,721
Bank overdrafts	0	174,952	0	174,952
Bank loan – Senior debt	102,200,000	86,200,000	102,200,000	86,200,000
Total Financial liabilities	109,130,164	90,954,673	109,130,164	90,954,673

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Recognised financial instruments

Cash and liquid instruments:

The carrying amount approximates fair value because of their short-term to maturity or are receivable on demand.

Trade receivables and payables:

The carrying amount approximates fair value as they are short term in nature.

Long-term borrowings:

The fair values of long-term borrowings has been determined as the carrying value of the borrowings at the reporting date. Details of the senior debt bank loan are set out in note 27(a).

Unrecognised financial instruments

Interest rate swap: The swap obligations will be retained and settled on maturity, consequently the directors consider that the net fair value of financial assets or financial liabilities arising from interest rate swap agreements has been determined as the carrying value of each swap contract that remains open at the reporting date. The carrying value represents the amount currently receivable or payable at the reporting date. These derivative contracts have been treated on a net basis as outlined in the Security Trust Deed.

d) Credit risk exposure

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position, net of any provisions for doubtful debts of those assets. A specific provision for doubtful debts has been calculated using individual debtor balances and payment history.

Credit risk on the interest rate swap is limited to the net fair value of the swap agreement as at the reporting date being \$911,011 receivable (2004: \$263,682 receivable).

Concentration of credit risk is primarily restricted to the airline industry.

■ notes to and forming part of the financial statements (continued)

NOTE 28. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

ADGPL has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). ADGPL's Risk and Audit Committee (RAAC) will oversee the progress and implementation of Australian Equivalents of IFRS. ADGPL has given consideration to the preparation of the opening balance sheet in accordance with AASB equivalents to IFRS at 1 July 2004. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of ADGPL. At this stage the entity has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under *AASB 139 Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting

Under *AASB 139 Financial Instruments: Recognition and Measurement* previously unrecognised derivative financial instruments will be recognised on balance sheet. Where current Australian accounting standards do not apply to ADGPL's hedge instruments the Australian equivalent standards of IFRS will become relevant providing the entity meets the qualifying criteria. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Impairment of Assets

Under the Australian equivalent of *IAS 36 Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the entity's current accounting policy which determines the recoverable amount of an asset on the basis of net cash flows. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Income taxes

Under the Australian equivalent to *IAS 12 Income Taxes*, the entity will be required to use a balance sheet liability method which focuses on the tax effects of transactions and events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact for ADGPL is the recognition of deferred tax assets where recoverability is probable.

Asset values

The impact of first time adoption of IFRS under AASB 1 may have a significant impact on valuations of property, plant and equipment, investment property and intangible assets where a deemed cost measurement is used. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

■ director's declaration

In accordance with a resolution of the directors of Airport Development Group Pty Ltd, we state that:

1. In the opinion of the directors:

- a) The financial statements and notes of the company and consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporation Regulations 2001*; and
- b) there are reasonable grounds to believe that the company will continue to pay its debts as and when they become due and payable

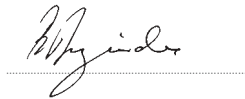
On behalf of the Board



Director

Melbourne, Victoria

Date: 27 October 2005



Director



■ independent audit report

INDEPENDENT AUDIT REPORT TO MEMBERS OF AIRPORT DEVELOPMENT GROUP PTY LTD

Scope

The financial report and directors responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Airport Development Group Pty Ltd (the company) and the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that presents fairly the financial position and performance of the company and the consolidated entity, and that complies with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted and independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entities financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion the financial report of Airport Development Group Pty Ltd is in accordance with:

- a) the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the financial position of Airport Development Group Pty Ltd and the consolidated entity as at 30 June 2005 and its performance for the year ended on that date; and
 - (ii) complying with *Accounting Standards and the Corporations Regulations 2001*; and
- b) other mandatory professional reporting requirements in Australia.

Merit Partners



Aminul Islam

Partner

27 October 2005

'a world class airport business'



Financial Year Ending	2005	2004	2003	2002	2001
PASSENGERS:					
DIA	1,386,000	1,182,000	1,085,000	1,090,000	1,380,000
ASA	603,000	610,000	570,000	520,000	665,000
TOTAL	1,989,000	1,792,000	1,655,000	1,610,000	2,045,000
LANDED TONNES:					
DIA	621,000	539,000	525,000	590,000	810,000
ASA	233,000	239,000	223,000	206,000	287,000
TCA	4,900	4,200	6,400	7,400	8,900
TOTAL	858,900	782,200	754,400	803,400	1,105,90
AERONAUTICAL CHARGES (ex GST):					
Passenger Facilitation Charge (\$/pax)					
DIA International:	4.50	3.50	2.50	2.50	-
DIA Domestic:	4.50	3.50	2.50	2.50	-
ASA:	4.50	3.50	2.50	2.50	-
TCA:	n/a	n/a	n/a	n/a	-
Airport Services Charge (\$/pax)					
DIA International:	5.50	5.50	4.98	5.47	-
DIA Domestic:	5.50	5.50	4.98	4.48	-
ASA:	5.50	5.50	4.98	4.98	-
TCA:	18.00	18.00	18.00	18.00	-
Landing Charge Regular Public Transport (\$/MTOW)					
DIA International:					6.52
DIA Domestic:					5.51
ASA:					5.51
TCA:					-
Landing Charge General Aviation \$/MTOW					
DIA International:	18.00	16.00	15.01	15.01	6.52
DIA Domestic:	18.00	16.00	14.00	14.00	5.51
ASA:	18.00	17.25	16.50	16.50	5.51
TCA:	23.00	23.00	23.00	23.00	23.00
REVENUE \$000s					
DIA	23,238	18,843	15,651	12,422	11,679
ASA	9,062	8,174	6,581	4,815	4,310
TCA	153	183	196	212	222
Other	(12)	6	96	35	145
TOTAL ADG	32,441	27,206	22,524	17,484	16,356
EBITDA \$000s					
DIA	13,033	10,017	6,869	6,016	5,766
ASA	5,580	4,871	3,770	2,500	2,048
TCA	(22)	-	16	21	71
Other	29	51	96	83	121
TOTAL ADG	18,620	14,939	10,751	8,620	8,006
CAPITAL EXPENDITURE \$000s					
DIA	17,771	4,197	1,797	4,070	853
ASA	1,035	970	277	113	195
TCA	5	3	14	-	28
TOTAL ADG	18,811	5,170	2,088	4,183	1,076
EMPLOYEES:					
DIA	42	41	36	30	31
ASA	11	12	13	12	13
TCA	1	2	2	2	2
TOTAL ADG	54	55	51	44	46

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