Airport Development Group

Annual Report
2005/2006

Our goals,
Our achievements,
Our airports.

Darwin International Airport

Carpet Design

A Gary Duncan design
reflecting the habitats
of the Top End.

Contents

13:22

Japan Airlines International Charter flight leaves Alice Springs Airport.

A World Class Airport Business

OUR MISSION

"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 recognized as a key contributor and participant in the economic growth of the Northern Territory"

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.

General Aviation services the vast and remote areas of the Northern Territory and numerous islands off its Top End.

14:00

GA pilot returns home after an Arnhem Land charter.

Airport Development Group's vision is to be a World Class Airport Business.

2006 HIGHLIGHTS

- Operating revenue of $38.9M (2005: $33.1M) an increase of 17% on the previous year.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $23.7M (2005: $18.8M) an increase of 26% on the prior year.
- Total of 2,047,000 passengers (2005: 1,989,000), an increase of 3% on the previous financial year.
- Commencement of services to Darwin International Airport by Tiger Airways and Jetstar.
- Following the success of previous years, further international charter flights direct from Japan landed at Alice Springs Airport in August 2005, January 2006 and May 2006.
- Construction, completion and opening at Darwin International Airport of the Civil Aviation Safety Authority and Australian Quarantine and Inspection Service Buildings.
- Completion and commissioning in October 2005 of the Checked Bag Screening (CBS) system at Darwin International Airport and planning for the implementation of CBS at Alice Springs Airport.
- Commencement of construction on Darwin International Airport's new business park, including the Bunnings Warehouse development and associated roads and infrastructure.
- Completion of the re-theming of Darwin International and Alice Springs Airport terminal buildings, including locally inspired and designed carpets.
- Finalisation of the Heritage Conservation Management Plan of the Seven-Mile Aerodrome area of Alice Springs Airport.

Welcome to
Alice Springs

Covered walkways have been installed and completed ready for use by emerging travellers.

ADG welcomed new international services to Darwin.

CHAIR'S REPORT

I have taken on the role of Chair of Airport Development Group (ADG) during the 2005/2006 financial year, and it is my pleasure to present this year's Annual Report on behalf of the Board of Directors. I would like to acknowledge ADG management and staff and former Chair Mitchell King in delivering this year's record result. I also welcome incoming Board director Dunia Wright, and thank retiring directors, Peter Taylor and Dominic Helmsley for their contributions.

History will show that the 2005/2006 financial year has been a turning point for ADG.

Total passenger numbers grew by 3% across ADG's airports, with international traffic continuing to show strong signs of improvement compared to that of its lowest levels two years ago.

Revenue grew by 17% to $38.9M, while expenditure growth was contained to only a 6%, or $0.9M increase. ADG is therefore able to report a strong earnings before interest, tax, depreciation and amortisation (EBITDA) result of $23.7M, an increase of 26% on the previous year.

In keeping with our goals of operating a world class airport business, Darwin International Airport has received recognition from the worldwide aviation industry. The airport is uniquely positioned to be Australia's gateway for budget tourism from Asia, as demonstrated by the commencement of services by Jetstar Asia and the Singapore-based Tiger Airways to and from Singapore with onward connections to Vietnam, Thailand, Macau, India and the Philippines. This development heralds a future tourism boom for the Northern Territory and its iconic tourism destinations including Kakadu National Park and Uluṟu.

Closer to home Darwin and Alice Springs Airports are at the final stages of a 5-year $50 million upgrade with interior and exterior terminal refurbishment, re-theming and expansion, and the delivery of additional services to airlines, passengers and other stakeholders, creating a friendlier and more secure environment for the travelling public.

14:35

Alice Springs Airport retail open for business amongst a sea of new carpet.

14:35

Locals check the arrivals display at Darwin International Airport, eagerly awaiting their visitors, family and friends.

Our three Airports operate in highly competitive markets, including internationally at Darwin International Airport.

CHAIR'S REPORT
continued

Indigenous motifs merge with desert red and brilliant colours to complete the new look at Alice Springs Airport.

Significant redevelopment of the airport's available land bank has seen Darwin International Airport lay the foundations of a commercial, business and retail hub, ensuring the Airport integrates the needs of local community, as well as making a major economic contribution to the development of the Territory.

This year has seen the completion of the Civil Aviation Safety Authority (CASA) and Australian Quarantine and Inspection Services (AQIS) facilities and the commencement of construction of the Bunnings Warehouse. As testimony to its resounding success, the Darwin Airport Resort has also been expanded.

During the year ADG continued its commitment to the environment with a program of new plantings, restoration and upkeep of nature reserves, designated walking paths, picnic areas and wildlife care.

All this activity against a backdrop of exceptionally strong economic performance in the Territory, high oil prices and negligible increases in seat capacity on domestic routes. Our operating environment presents ongoing challenges, including strengthening security at all of our airports, whilst continuing to deliver world class services to our customers and stakeholders.

ADG looks forward to a period of continued development and sustained growth, which can be directly attributed to the strong partnership our airports have with the Government, stakeholders and our communities.

Jill Rossouw
Chair and Director

15:00

Qantas Club lounge provides a quiet haven for busy people before departure.

Upgraded security measures were implemented at both Darwin and Alice Springs Airports.

CHIEF EXECUTIVE OFFICER'S REPORT

The 2005/2006 financial year reported outstanding results for Airport Development Group (ADG), outlined in this fourth Annual Report detailing our achievements, goals and projects over the last financial year.

Our three airports operate in highly competitive markets, including internationally at Darwin International Airport (DIA). Last year saw an upturn in international passenger numbers with an increase of over 20% in international seat capacity for the year.

DIA welcomed new international services to Darwin from Singapore based low cost carrier, Tiger Airways. Tiger commenced a 4 per week service Singapore Darwin with a 180 seat A320 aircraft in December 2005 and will increase the frequency of this service in 2007. This is the highest international seat capacity into Darwin since April 2001.

Current trends are now indicating that Tiger Airways are also being used as a gateway to Europe with many travellers departing Darwin and connecting with other airlines out of Singapore.

The past 12 months have seen successful international charter operations into Alice Springs. The Airport facilitated the arrival of passengers on charter flights from Japan and on Swiss airline Belair whose passengers were enjoying a global trip visiting the world's best known heritage sites. The successful charters operated by Japan Airlines continue to be well supported by Japanese tourists enjoying the Red Centre.

ADG's long term goal is to develop a thriving commercial and retail centre on airport land. DIA has now approached the next stage of the Airport's commercial development with major construction taking place in the Business Park Precinct. The development of the Precinct, including the $9m Bunnings site will encourage other projects and major retailers.

We continue to develop the airport road systems with a further investment of $5 million to open up the Bagot and McMillans Road commercial precinct close to the airport and Darwin's northern suburbs

To prepare the new Business Park Precinct, Airport staff worked with Charles Darwin University staff and horticultural students, Landcare volunteers and the Larrakia Rangers to move 300 Cycads from the new Bunnings Warehouse site to other Landcare projects, including the Airport's Rapid Creek corridor. Cycads are living fossils – endangered species plants that have existed for over 280 million years.

ADG is an integral part of the Territory economy and currently support directly and indirectly, nearly 1,500 jobs. The success of our commercial developments will not only increase non aeronautical revenue whilst meeting the objectives of stakeholders, but will guarantee positive investment and capital expenditure back into our airports.

10:30

QantasLink connections to Ayers Rock and Perth.


14:30
Airlines utilise airport facilities including aerobridges, departure lounges, public address and closed circuit surveillance systems.

ADG is an integral part of the Northern Territory economy.

CHIEF EXECUTIVE OFFICER'S REPORT
continued

In order to provide world class facilities and services, we apply best practice performance principles to guide the development of facilities and services at our Airports. With the varied needs of today's travellers, our airports have undergone recent upgrades including car park redevelopments, terminal refurbishment and security enhancements, airside runway, taxiway and apron works and lighting upgrades.

An exciting addition to both Darwin International Airport and Alice Springs Airport (ASA) terminal redevelopment has been the laying of new carpet, designed around the unique landscapes of the Territory, repainting and upgrading of customer facilities.

The Darwin International Airport Landscaping Master Plan was finalised this year. The plan ties together the airport developments and significant environment features, whilst providing concepts for landscaping the avenues, development sites and arterial road buffer zones for the entire Airport, including the new commercial precinct. This integrated approach, is not only conducive to good business, but adds value and amenity for all users of the airport, shareholders, staff and the public alike.

In keeping with government policy, upgraded security measures were implemented at both Darwin and Alice Springs Airports. These improved security measures enhance the level of security for not only the travelling public, but for visitors and staff within the airport environment.

The airports and staff within ADG are committed to supporting and contributing to community initiatives. Whilst maintaining the Corporate Giving Program throughout the year, ADG have also been involved in environment and sporting activities recognising and supporting local people and the Northern Territory. Many hours have been invested in raising funds, planting trees, cleaning up the environment, providing facilities and services, encouraging and giving. As a result airport staff can proudly display the many statements of appreciation from across their community.

When outstanding financial performance, increased capital expenditure and significant growth can be displayed within the pages of the Annual Report, side by side with dedication and commitment by airport management and staff, the resulting environment is the operation of a World Class Airport Business.

Ian Kew
Chief Executive Officer

14:20

Authorised vehicles operating airside.


11:50
QF805 preparing
for departure
to Brisbane.

ADG is majority Australian owned.

COMPANY OVERVIEW

AIRPORT DEVELOPMENT GROUP

In 1998 Airport Development Group Pty Ltd (ADG), through its subsidiaries, acquired a lease from the Commonwealth Government for the three Northern Territory Airports;

- Darwin International Airport,
- Alice Springs Airport and
- Tennant Creek Airport.

ADG is majority Australian owned and is made up of five shareholders comprising;

- Industry Funds Management (Nominees) Limited (IFM) also funds manager for
- National Asset Management Ltd,
- Hastings Funds Management (Australian Infrastructure Fund),
- RBC Global Services Australia Nominees Pty Ltd (Perpetual Investments) and
- BAA Australia Pty Ltd.

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 leases over Darwin International Airport and Alice Springs Airport.

ADG also owns 100% of Tennant Creek Airport Pty Ltd.

COMPANY STRUCTURE

General Aviation pilot completes the final inventory before departure.

Our airports connect people in regional areas and across the waters of the Top End.

COMPANY OVERVIEW
continued

16:35

Royal Brunei Flight BI173 touching down at Darwin.

DARWIN INTERNATIONAL AIRPORT (DIA)

The Northern Territory is 1,346,200 square kilometres of vast open spaces with world famous natural attractions and rich natural resources.

Darwin, founded as Australia's most northerly harbour port in 1869, is the tropical capital of the Territory and is the closest Australian Capital City to the key South East Asian centres of commerce and trade.

Darwin International Airport, located within a short distance of the CBD, operates curfew free 24 hours a day allowing airlines to schedule appropriate connecting services to other major centres which are subject to curfew.

Qantas, Garuda Indonesia, Royal Brunei, Airnorth, Merpati, Tiger Airways and Jetstar Asia are the current international carriers to Darwin with Qantas, Jetstar, Virgin Blue, Skywest and Airnorth providing domestic and regional services.

Twenty three General Aviation operators (GA), two helicopter and one cargo operator have facilities on the Airport. General Aviation is important to the Territory given the small, widely scattered remote communities and the lack of all weather roads on the mainland and numerous islands off the coast of Arnhem Land.

DIA is a Joint User Airport (JUA) with the RAAF who occupies a major military base and maintains the joint user areas, including runways and taxiways with DIA. The total area of 1527 hectares has been designated as airport land, of which 311 are assigned to DIA, with the RAAF the other 1216 hectares.

Ground handlers prepare RegionalLink flight to Gove.

ALICE SPRINGS AIRPORT (ASA)

Located in the centre, "the heart" of Australia, Alice Springs is a major tourist destination, where the majority of passengers through the Alice Springs Airport are visitors to the region.

The town of Alice Springs plays an important role in the development of its surrounding area and is dependent on air transport because of its remoteness.

Alice Springs Airport is located 14 kilometres from the township and occupies approx 3,550 hectares. Of this, 750 hectares are used directly for aeronautical purposes. The Airport has a two runway system, operates 24 hours curfew free and handles all forms of domestic and regional aviation services, together with some military operations and international charter flights. The Airport also provides an important link to the Territory's remote communities.

TENNANT CREEK AIRPORT (TCA)

The township of Tennant Creek is located in Central Australia, 500 kilometres north of Alice Springs and 1,000 kilometres south of Darwin. The town is surrounded to the east by the huge expanse of land called the Barkly Tablelands which supports some of Australia's premier cattle stations. The population of the Barkly region is 6,000.

Tennant Creek Airport is located 1km from the town on approximately 323 hectares with facilities for commuter and general aviation traffic. The airfield caters to mining companies and small predominantly aboriginal communities in the surrounding area, providing an important link for the local population with Alice Springs, Katherine, Darwin and regional centres

The terminal is available for RPT passengers and the main sealed apron can cater for one F28 Fellowship or BAe146 or Gulfstream V, plus several smaller aircraft.

ADG implemented its aeronautical pricing strategy on 1 January, 2006 reflective of the costs of operating airports in the Northern Territory.

BUSINESS OVERVIEW

ADG FINANCIAL RESULTS SUMMARY ($000S)

Financial Year Ending	2006 ADG	2005 ADG	2004 ADG	2003 ADG	2002 ADG
Revenue:					
Aeronautical	26,614	22,023	17,562	13,385	7,863
Trading	5,617	4,984	4,609	4,534	4,261
Property	5,435	4,514	4,080	3,821	4,651
Other	1,201	1,567	955	784	709
Total [(1)]	38,867	33,088	27,206	22,524	17,484
Expenditure:					
Labour & staff overheads	5,079	5,127	4,790	4,382	3,353
Services & utilities	2,417	2,284	2,134	1,887	1,664
Administration	3,884	3,524	3,182	2,702	2,044
Maintenance	1,865	2,108	1,537	1,424	990
TSA expenses	1,936	1,271	624	1,378	813
Total	15,181	14,314	12,267	11,773	8,864
EBITDA:	23,686	18,774	14,939	10,751	8,620
Depreciation	6,492	5,553	5,782	5,631	5,400
Amortisation	234	234	641	557	558
EBIT:	16,960	12,987	8,516	4,563	2,662
Net borrowing costs	7,937	6,361	5,773	6,797	5,400
Abnormals / Income tax	1,771	1,900	(2,370)	4,998	(9)
Net Profit/(Loss) after tax:	7,252	4,726	5,113	(7,232)	(2,729)

[(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 2005/06 revenue from security charges was $5.02 million

13:22

Business travellers take advantage of Darwin International Airport's internet facilities whilst waiting for their flight.

ADG's development strategies reflect the demands of today's aviation industry.

BUSINESS OVERVIEW

11:10

Skywest en route to Broome and Perth.

FINANCIAL PERFORMANCE

ADG had another outstanding financial year, ended 30 June 2006. ADG performance for the 2005/06 financial year exceeded budget expectations and continued to build on the solid performances and results of previous years. EBITDA for the year was $23.7M, a 26% increase on the previous year.

The sound performance this year is a result of an increase in revenue of 17% to $38.9M while expenditure growth was contained to only 6% increase, or $0.9M on the previous year.

ADG implemented a 3 1⁄2 year aeronautical pricing strategy on 1 January 2006 which sets out terminal and airfield passenger charges for the period to 30 June 2009. The long term pricing regime is more reflective of the costs of operations of airports in the Northern Territory.

The Passenger Facilities Charge (PFC) remained at $5.00 (excluding GST) for the full financial year at Darwin International Airport, while the PFC at Alice Springs Airport increased from $5.00 (excluding GST) to $5.30 (excluding GST) on 1 January 2006. The PFC is levied on a per passenger basis for the use of terminal building and associated facilities.

Similarly the Airport Services Charge (ASC) remained at $5.75 (excluding GST) for the financial year at Darwin International Airport, while at Alice Springs Airport, it increased on 1 January 2006 from $5.75 (excluding GST) to $6.45 (excluding GST). These charges are levied on a per passenger basis for the use of runways, taxiways, aprons and associated facilities.

A significant improvement in international passenger numbers and steady growth in domestic passengers during the 2005/06 year resulted in a 21%, or $4.6M, increase in aeronautical revenues to $26.6M.

Trading revenue increased 13% on the previous year. This positive result is due to an increase in passenger numbers as well as strong results in car rental and advertising revenue for the year. There was also an increase of 8% on the previous financial year on car parking revenue.

Property revenues grew by 20% on the previous year largely on account of a number of new commercial property developments. The first full year's revenue from the Darwin Airport Resort as well as rentals from the development and opening of buildings constructed for the Civil Aviation Safety Authority (CASA) and Australian Quarantine Inspection Service (AQIS) in Darwin contributed to the increase in property revenues.

Total expenses for the financial year were $15.2 million, $0.9 million or 6% higher than the previous year.

ADG's staffing costs reduced slightly during the financial year as a result of changes to staff numbers and structures. The containment of labour costs despite increases in revenue and capital expenditure projects has been a positive result for ADG.

Japan Airlines departs the Red Centre after Alice Springs Airport facilitated the successful charters.

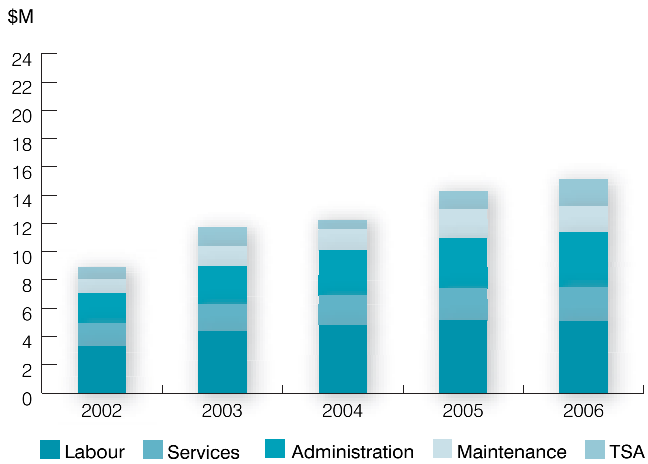
Services and utilities costs were slightly higher than the previous year, however in line with budget expectations and are largely reflective of higher electricity, cleaning and trade waste expenses.

Maintenance expenditure decreased by 12% over the previous year and is a result of cost containment across all areas of maintenance expenditure. In addition there were some larger one off items in the previous year which were not incurred again during the 2005/06 financial year.

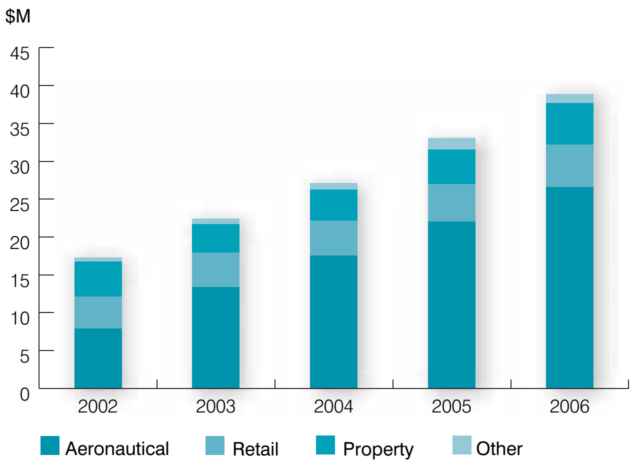
An increase in legal fees, provision for doubtful debts and computer software support, with the implementation of a new business system, contributed to an increase in general administration expenses. There was also an increase in advertising expenditure in association with the commencement of new airlines and services to ADG's airports.

Costs associated with the technical services agreement (TSA) increased by more than 50% over the previous year as a result of ADG's overall better than budget performance.

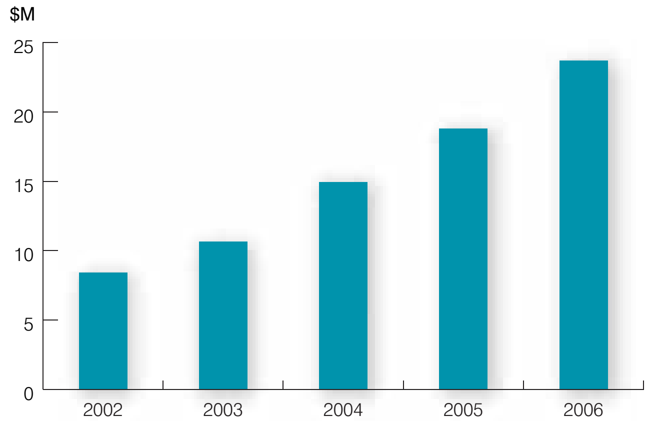
ADG Expenses by Source



ADG Revenue by Source



ADG EBITDA



International passenger numbers at Darwin were 19% higher than the previous year.

BUSINESS OVERVIEW

ADG airports operate curfew free 24 hours a day.

OPERATIONAL PERFORMANCE

The 2005/06 financial year saw a steadying of growth domestically at ADG's airports with an expansion in international traffic and capacity. This positive outcome on the international front is a result of the foundations laid in previous years of ADG's route development strategy.

International passengers at Darwin Airport were 19% higher than the previous financial year and totalled 334,000. The strong results of the past two years has seen an increase in international passengers of 70% compared to their lowest levels of 2004.

Transit passengers continued to contribute to this excellent result, while the commencement of services to Darwin by Tiger Airways in December 2005, a Singapore based low cost carrier, also assisted. Tiger Airways currently operates 4 services per week, utilising new 180-seat Airbus-320 aircraft direct from Singapore to Darwin.

The Australian Airlines Cairns – Darwin – Singapore service was rebranded to Qantas at the end of the financial year and further adjustments to the schedule since that time have seen Jetstar Asia commence daily Singapore – Darwin – Cairns services replacing Qantas / Australian Airlines on this route.

Other international airlines including Garuda Indonesia, Royal Brunei Airlines, Merpati and Airnorth also provide necessary capacity servicing a range of South East Asian destinations, Darwin's closest neighbours.

Domestic passengers at Darwin International Airport remained steady totalling 1,106,000. Jetstar commenced services to Darwin in May 2006, replacing some Qantas services but offering additional frequency and capacity. Adjustments to the Virgin Blue schedule saw the cessation of the Darwin – Sydney direct service in September 2005 while Skywest services to Broome and Perth and Airnorth's regional network provide vital capacity to the Top End's more remote areas.

Alice Springs Airport continued to remain steady with a 1% increase in passengers to 607,000. Virgin Blue ceased services to Alice Springs in September 2005 leaving Qantas as the only major carrier servicing the destination.

Alice Springs Airport however hosted further international charters direct from Japan. Based on their success of both the previous and current year's charters, additional flights have already operated since the end of the 2005/06 financial year and it is anticipated their popularity in the future will increase.

Regional services to Tennant Creek Airport were operated by Vincent Aviation and Aboriginal Air during the year.

ADG OPERATIONAL PERFORMANCE SUMMARY

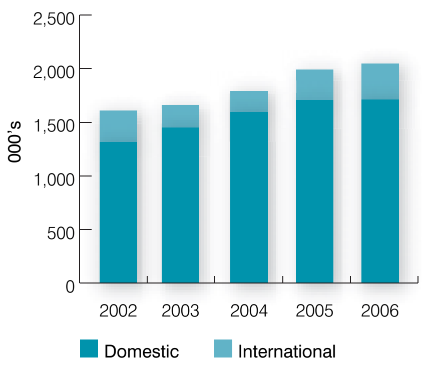
Financial Year Ending	2006 ADG	2005 ADG	2004 ADG	2003 ADG	2002 ADG
Darwin International Airport					
Passengers:					
Domestic	**1,106,000**	1,105,000	985,000	875,000	800,000
International	**334,000**	281,000	197,000	210,000	290,000
Total	**1,440,000**	**1,386,000**	**1,182,000**	**1,085,000**	**1,090,000**
Aircraft Movements:					
Regular Public Transport	**17,700**	18,300	18,200	18,000	18,700
General Aviation	**53,600**	48,700	44,300	40,600	49,000
Total	**71,300**	**67,000**	**62,500**	**58,600**	**67,700**
Landed Tonnes:					
Total landed tonnes	**662,000**	**621,000**	**539,000**	**525,000**	**590,000**
Alice Springs Airport					
Passengers:					
Domestic	**607,000**	603,000	610,000	570,000	520,000
Total	**607,000**	**603,000**	**610,000**	**570,000**	**520,000**
Aircraft Movements:					
Regular Public Transport	**6,200**	6,900	7,800	7,500	8,200
General Aviation	**15,700**	16,000	16,700	16,200	17,900
Total	**21,900**	**22,900**	**24,500**	**23,700**	**26,100**
Landed Tonnes:					
Total landed tonnes	**204,000**	**233,000**	**239,000**	**223,000**	**206,000**
Tennant Creek Airport					
Aircraft Movements:					
Total aircraft movements	**3,300**	**3,000**	**2,200**	**2,800**	**3,600**
Landed Tonnes:					
Total landed tonnes	**5,300**	**4,900**	**4,200**	**6,400**	**7,400**

Northern Territory Airports, Advancing opportunities Achieving objectives. Delivering results...

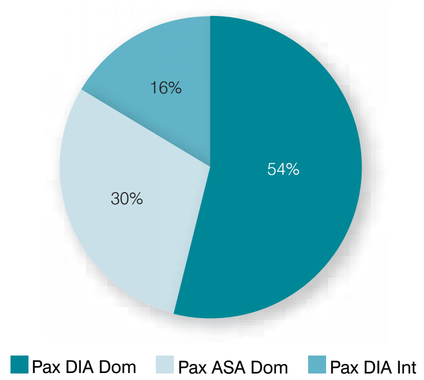
BUSINESS OVERVIEW

OPERATIONAL PERFORMANCE
continued

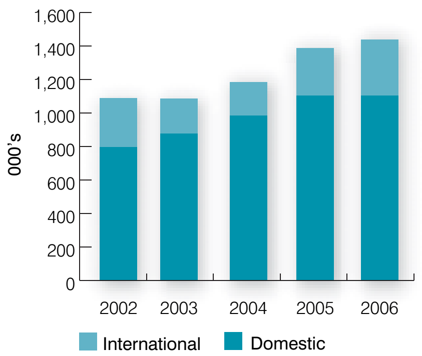
Total Passengers



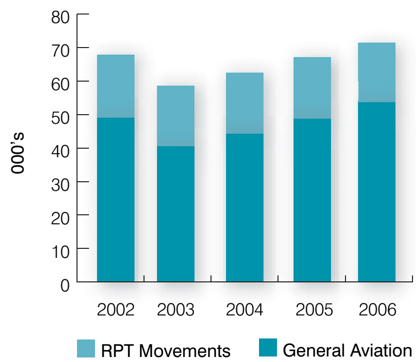
Passenger by Type 2005/2006



Darwin Airport Passengers



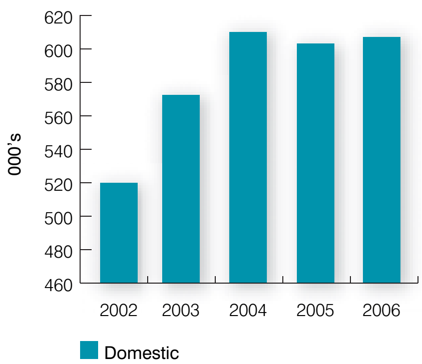
Darwin Aircraft movements



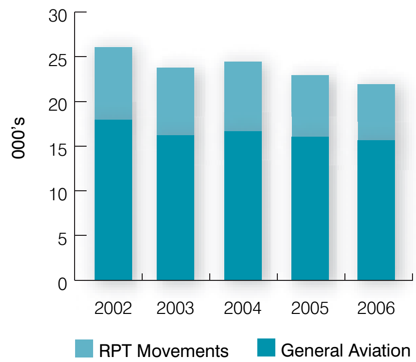
06:00

Ground handlers prepare flight JAL707 as the sun rises over Alice Springs.

Alice Springs Airport Passengers



Alice Springs Aircraft movements



00:40

Passengers purchase a last minute item at Darwin International Airport's modern retail outlets, before departure.

ADG developing partnerships with Government and Industry.

ROUTE DEVELOPMENT

ADG's Route Development Strategy is an important element of Northern Territory's placement as the best northern gateway to Australia.

With the innovative partnership between the Northern Territory Government and Airport Development Group (ADG), the dedicated role of Aviation Development Director held by Peter Roberts, has seen the successful expansion and introduction of airline services to the Territory from a wider range of source regions.

ADG's Aviation Development Director and Chief Executive Officer have maintained their roles in the Northern Territory Aviation Committee reinforcing the continued work of the Aviation Strategy for the Government.

The five key aspects of ADG's aviation development are seen as

- Support International Legacy Carriers
- Support emerging Low Cost Carriers
- Work with Qantas Group
- Enhance Alice Springs services
- Develop Partnerships with Government & Industry

Darwin is the best "Northern Gateway" to South East Asia.

Low Cost Carriers have become more dominant worldwide, especially short haul routes. Tiger Airways commenced their Darwin Singapore service in December 2005. Tiger's arrival brought an extra 720 seats a week between Singapore and Darwin representing an increase of 38 per cent in weekly International seat capacity at Darwin International Airport. This represents the highest International seat capacity into Darwin since April 2001.

Another low cost carrier, Jetstar, commenced its Darwin service on 1st May, 2006. Operating 177 seat A320 Aircraft from Melbourne, Brisbane and Adelaide, Jetstar will operate 14 weekly flights in total or an extra 38,000 seats per year.

Qantas announced a Sydney/Darwin/Mumbai (Bombay) A330 service, offering three direct flights per week from Darwin to Mumbai, India. As the Mumbai service originates in Sydney, domestic passengers can purchase seats on the Sydney Darwin sector.

In conjunction with Northern Territory Government, promotion of International Charters to Alice Springs continues.

Japan Airlines (JAL) continued to touch down in Alice Springs with Japanese tourists. These charters have proven to be very successful over the last 12 months with over 20 rotations.

03:15

Welcome aboard Tiger Airways to Singapore.

18:20

Jetstar refuelling and ready to depart.

Checked Baggage Screening (CBS) means – the system of deterring, detecting and preventing checked baggage carrying an explosive device onto an aircraft transiting our Airports.

SAFETY AND SECURITY

ADG maintains and operates its Airports in a quality, safe, secure and efficient environment.

In line with the Aviation Transport Security Act and the Aviation Transport Security Regulations, Darwin International Airport and Alice Springs Airport enforce security measures required by all International Australian airports. To meet new regulatory requirements under these pieces of legislation, Darwin and Alice Springs Airports submitted a revised Transport Security Program to the Department of Transport and Regional Services (DoTaRS) in March 2006. These programs will be reviewed by the Department and are to be in place by March 2007. The programs will be the framework under which security initiatives are practically implemented at both airports into the future.

WHEELER REVIEW INTO AVIATION SECURITY

In September 2005 the Right Honourable Sir John Wheeler concluded an independent review into Airport Security and Policing within Australia. This review was conducted to investigate, amongst other things, areas in which the integration of ground based aviation security and law enforcement arrangements could be strengthened.

In total this review made 17 recommendations to Government, all of which were adopted. Government have already commenced applying these recommendations, and at all 11 Counter Terrorist First Response (CTFR) Airports, including both Alice Springs and Darwin, we have seen some implementation. Most notably we have seen efforts to address a perceived lack of communication and information flow between aviation participants and Government agencies, and the engagement of senior police officers at airports.

Communication flow between all aviation industry participants at our airports has been improved by the 'refashioning' of airport security committees, ensuring a collaborative approach to the identification of security issues, and the planning of security programs. Such an approach ensures that all information relevant to the security of the airport is shared with the airport community.

Alice Springs and Darwin Airports now have dedicated Airport Police Commanders stationed upon the Airport. These officers took up their positions in March 2006, following the Wheeler recommendation that an Airport Police Commander be established at each CTFR airport. These Commanders are to command the general policing presence, lead the proactive and reactive investigation of crimes and offences, and work in collaboration with all government agencies to provide a unified government approach toward security issues on airports. The policing at airports will be further strengthened into the future, with the introduction of, amongst other law enforcement initiatives, a community policing presence at Darwin and Alice Springs.

12:35

Operations Officer on duty.

16:10

Australian Federal Police playing a critical role at Darwin International Airport.

ADG understands the importance of communication and encourage emergency agencies both on and off the airport to communicate effectively and to work together.

SAFETY AND SECURITY

continued

The introduction of these new policing roles is a welcome addition to both airport communities. ADG looks forward to continuing an already sound relationship with the Australian Federal Police to strengthen security at both Airports.

Other Wheeler recommendations continue to be the subject of consultation between the aviation industry and Government. ADG is heavily involved in this consultative process, working toward the practical implementation of recommendations designed to bolster security arrangements at our airports. Such recommendations include the refashioning of airside security, to ensure the integrity of the Regular Passenger Transport apron and Security Restricted Areas. This bolstering of security will include the implementation of further inspection and screening points both within the terminals and airside of the facilities. The use of Closed Circuit Television to supplement current security at critical infrastructure involved in mass passenger transport has also been a focus for the Council of Australian Governments. A National Code for the use of such technology is being developed by Government, in consultation with Aviation Industry participants. ADG is again actively involved in this consultative process, and continue to plan for the redevelopment of this equipment.

SECURITY SCREENING

In September 2005 ADG awarded a new contract for airport security services to Chubb Security Australia Pty Ltd. ADG placed considerable emphasis on the appointment of a highly qualified and experienced staff. ADG continues to work closely with its contracted security service provider to ensure that security services are delivered to a high standard.

9:15

Emergency crew practicing emergency response and co ordination at Alice Springs Airport.

CHECKED BAG SCREENING

On 11th October, 2005 Darwin International Airport officially declared open the Airport's $11 million Checked Bag Screening facilities for both International and Domestic travellers. The infrastructure at DIA consists of advanced MVT X-ray machines to enable 100% screening of all checked bags introduced into the baggage handling system.

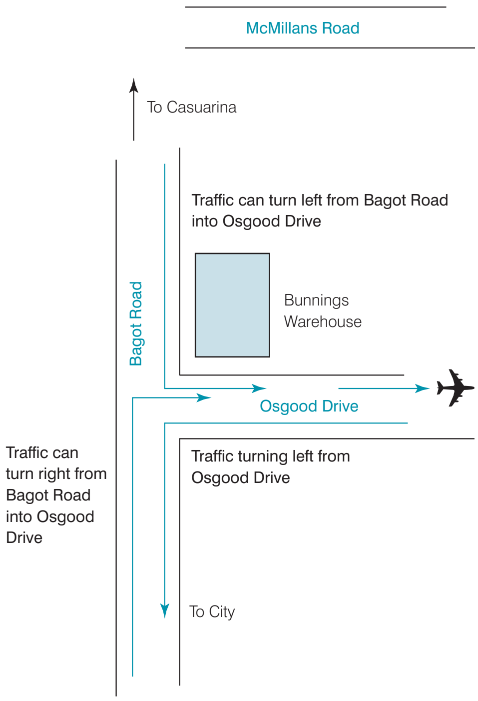
Darwin Airport became the first airport in Australia to deliver checked baggage screening for both domestic and international departures, well in advance of regulatory requirements.

Planning for the implementation of checked baggage screening at Alice Springs continues. The system will be developed and installed before August 2007, meeting regulatory requirements.

Bay 2 Aerobridge facilitating the movement of passengers and aircraft.

Airport facilities expanded and improved to meet today's aviation demands.

YEAR IN REVIEW



Darwin airfield in the 1990's prior to construction of the terminal and facilities.

DARWIN INTERNATIONAL AIRPORT

Work started on Darwin International Airport's new Business Park Precinct. The 35 hectare development, on a strip of land bounded by McMillan and Bagot Roads, includes the $9 million Retail Warehouse leased by ADG to Bunnings Hardware.

The 14,000 square metre Bunnings Warehouse accommodates more than 7,000 square metres of trading floor space, a garden centre, trade timber yard and more than 400 car bays. Bunnings will be the anchor tenant and catalyst for development in the Business Park Precinct and was officially opened on 14 November, 2006.

The Airport is spending another $5 million on roads and services infrastructure to support the development.

New infrastructure includes two new entry and exit points closer to the city, one from Bagot Road and one from McMillans Road near Sabine Rd (not shown in map).

The Bagot Road intersection has been changed to provide a turn right lane from the city, slip lane to the left from Bagot Road into the Business Park Precinct and acceleration lane for traffic turning left into Bagot Road.

A new Airport road, Osgood Drive, runs from Bagot Road through to Charles Eaton Drive and the Airport.

The Department of Planning and Infrastructure, which is responsible for public roads and installing traffic lights, worked closely with Darwin International Airport on this project.

The development of this Business Park Precinct is consistent with Darwin International Airport's Master Plan and Environment Strategy that was approved by the Federal Government in December 2004.

A major component of the Airport's Master Plan is to also create a 15 hectare Airport Environment Reserve, which eventually will connect with the Rapid Creek corridor.

The redevelopment and refurbishment of our major airport.

Darwin International Airport, a single terminal building accommodating regional, domestic and international travellers, bustles with activity throughout the day and night.

The 2005/06 year has seen considerable redevelopment taking place at DIA with remodelling and refurbishment of the airport terminal, new security equipment installed, a $1.35 million upgrade to the Smoke Spill System for public safety commenced, new carpet installed at the terminal and a $2.7 million car parking project undertaken.

The carpet design was the work of popular artist Garry Duncan who explored the Territory habitats for what Garry calls "critters", to interpret onto the carpet design.

The re-theming of the terminal has created a unique tropical experience with the ground floor lily pad design and 5 individual design themes with "critters" for the upstairs departure lounge.

11:30

Business underway at Darwin International Airport.

From walls to floors, artistic interpretation is displayed within our Airport terminals.

YEAR IN REVIEW
continued

ALICE SPRINGS AIRPORT

ADG's airports continue to provide interesting ground for artistic interpretations with the development and completion of the Alice Springs Airport re-theming project.

As part of the terminal's new look, stunning carpet has been installed to reinforce the colours and textures of the Red Centre. The vibrant carpet design has effectively been interpreted from the work of indigenous Central Australian artist, June Smith from Santa Teresa. The icons feature in the carpet amongst swails of black, overlayed with Indigenous motifs and merges of desert red and brilliant colours. To complement the carpet, the terminal has also been repainted in earthy tones with the tiling to the check-in areas completing the new look.

Australian Way added to the updating of the terminal by installing a modern refit to Runway News. This fast paced retail operation has increased its ability to process passengers quickly with its changed passenger flows. The result of the modernisation has created a better shopping experience for travellers and visitors.

Airside works at Alice Springs Airport

With the completion of reconstruction works on runway 17/35 at Alice Springs, runway 06/24 was permanently closed during the year in line with the approved Alice Springs Airport Master Plan.

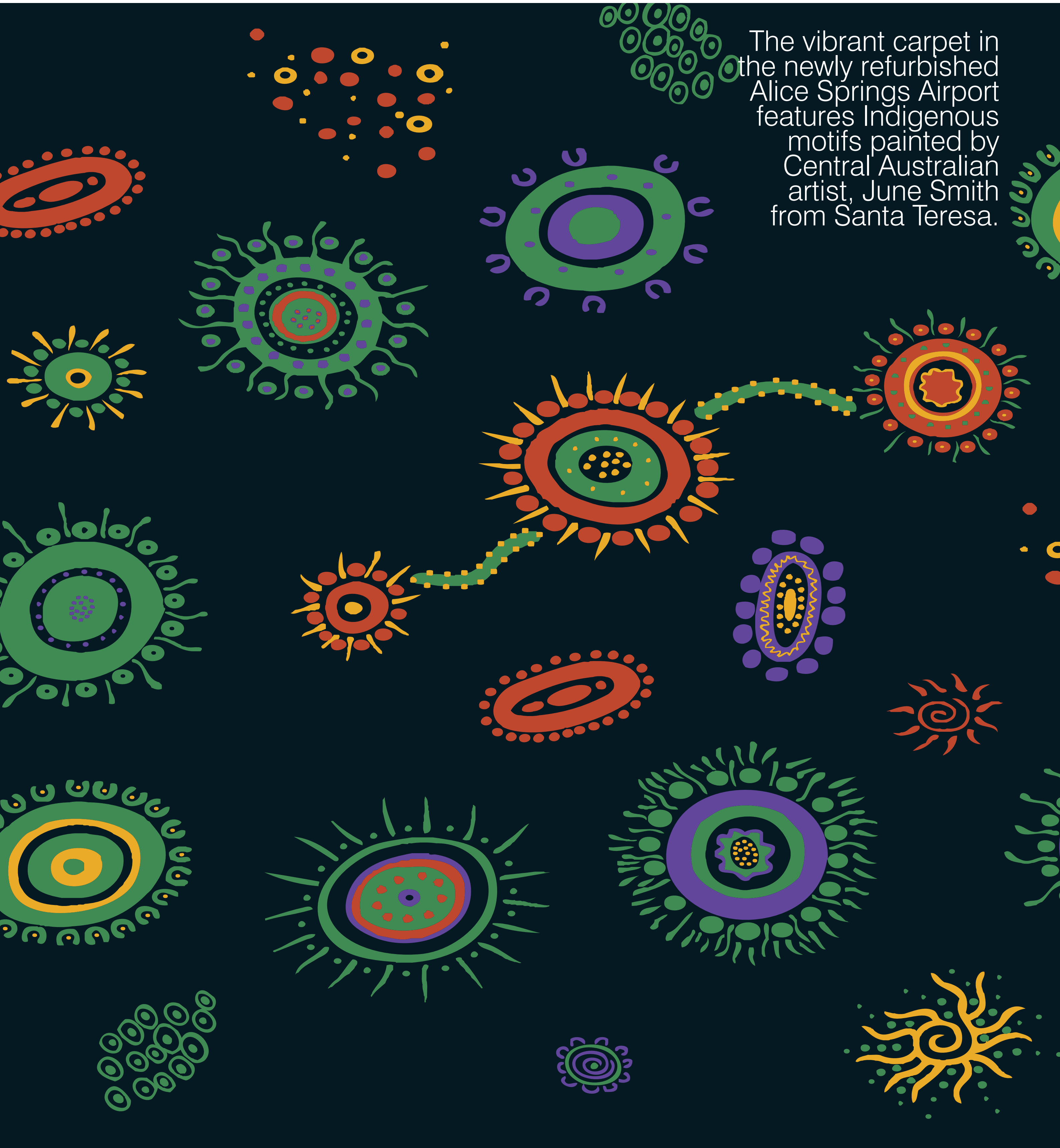
In line with this work Taxiway A1, previously a gravel taxiway leading from the GA Apron to the unsealed part of runway 06/24 has been reconstructed as a sealed taxiway leading to runway 17/35.

Part of the commuter apron that was previously unsealed has also been infilled allowing additional aircraft parking.

Completion of these works means that Alice Springs Airport now provides a high quality secondary runway for general aviation operations as well as releasing land for GA hangar building expansion. In addition these works have provided the opportunity to create an all-weather parallel taxiway for GA operations, reducing delays for GA operators when integrating with RPT operations.

13:00

Passengers check in at Alice Springs Airport's newly refurbished Terminal.



The vibrant carpet in the newly refurbished Alice Springs Airport features Indigenous motifs painted by Central Australian artist, June Smith from Santa Teresa.

ADG is committed to creating airport precincts which will become Environmental Showcases.

ENVIRONMENT

Natural vegetation in the Anetyeke Garden surrounds the Alice Springs Terminal to welcome travellers with the feeling of "the bush".

Darwin International Airport has continued a six year commitment to the restoration and rehabilitation of its section of Rapid Creek. The recent planting of around 5,100 trees has taken place in the area and together with the establishment of a formal ongoing weed and fire management program, the removal of concrete/ steel Cyclone Tracy debris from the waterway and installation of public access infrastructure and formalised entry points into the creek, the work has resulted in significant improvement in the quality of this habitat.

As DIA sees community involvement as a very important component in achieving results in the preservation of Rapid Creek we will continue to work with the Rapid Creek Landcare Group (RCLG), Greening Australia NT (GANT), Conservation Volunteers Australia (CVA), Larrakia Nation and the local Darwin Community to achieve the common goal of restoring and protecting the Rapid Creek Catchment.

A Landscape Master Plan has been developed over the last 12 months to provide guidelines enabling the future building and infrastructure programs at Darwin International Airport (DIA) to be designed and constructed in a unified and environmentally responsible manner.

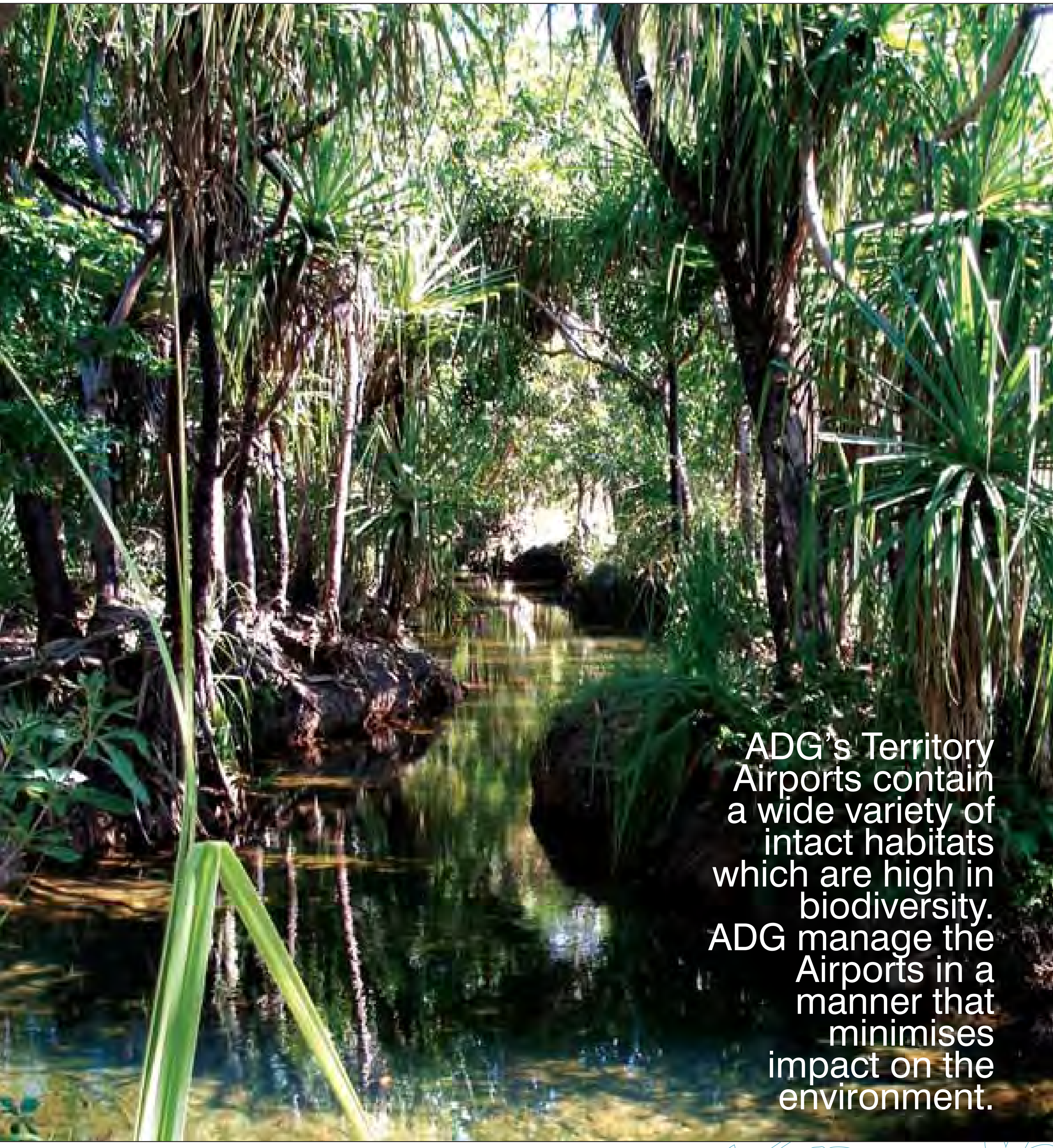
The passenger terminal zone at DIA is an important area as it provides the first and last impression to visitors to Darwin. To compliment the redevelopment of the terminal, visible additions such as strengthening of the tree lined entry and exit roads, creating shady pedestrian avenues, refurbishing garden beds and provision of additional art works at the airport has been undertaken as part of the this plan.

In Alice Springs, ADG has finalised a Heritage Conservation Management Plan at Alice Springs Airport. The heritage value of the "Seven-Mile Aerodrome" has been recognised by the Commonwealth Government and Northern Territory Heritage Advisory Council.

The Heritage Precinct, of which three buildings have been heritage listed, is located adjacent to the 17/35 runway, approximately 3 km west of the current terminal. The buildings are currently occupied by tenants including Aviation Offices, residences and storage facilities.

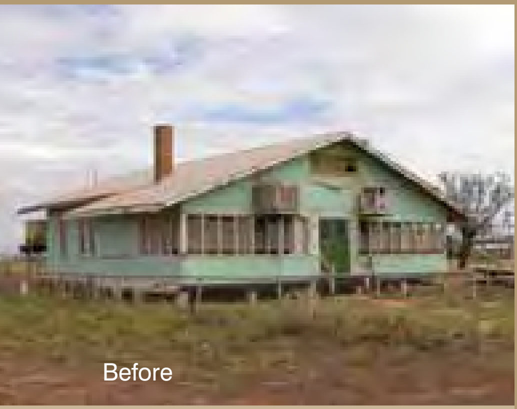
The Airport Master plan and Environment Strategy sets out Alice Springs Airport's aim to conserve the heritage values of the area, whilst providing for continued use by present and future occupants.

On the following page read a little of the Airport's history and step back in time.


ADG's Territory Airports contain a wide variety of intact habitats which are high in biodiversity. ADG manage the Airports in a manner that minimises impact on the environment.

ADG has finalised a Heritage Conservation Management Plan at Alice Springs Airport.

ENVIRONMENT
continued



Before

Restoration of the Seven-Mile Aerodrome at Alice Springs Airport.

After

ALICE SPRINGS - STEP BACK IN TIME

Following the bombing of Darwin in 1942 the town of Alice Springs was transformed into a military camp and the strategic importance of Alice Springs saw many improvements made to the town's infrastructure.

The 'Seven-Mile Aerodrome', so called as it was located some seven miles to the south of Alice Springs town centre, was made a RAAF Station.

The facilities at Seven-Mile Aerodrome were tested during January 1943 when three squadrons, Nos 452 & 457 RAAF and No 54 RAF passed through on their way to Darwin, where they re-formed into the No 1 Fighter Wing to provide a defence for Darwin.

The Aerodrome became the town's main air link with the rest of Australia and by 1944 had become more an airport facility for civilian airline operators than for the RAAF.

In November 1947, the newly formed Trans-Australia Airlines (TAA) began regular DC3 flights between Adelaide and Darwin and a weekly Adelaide-Alice Springs return service.

In 1958, the Seven-mile Aerodrome was officially re-named the 'Alice Springs Airport', but increasing air traffic was beginning to prove the facilities inadequate.

In 1960, Ansett began weekly tourist flights into Alice Springs from Melbourne and in 1961 TAA took up office premises in Alice Springs.

In 1965, a new terminal building and fire station were constructed at a location half way along the runway. This new location became the hub for all airport expansion.

By 1990, the former control tower building was home to "Ye Olde Radio Workshop" and the former passenger terminal had been renovated to serve as a residence for the Airport Inspector.

In September 2005, the former control tower, former passenger terminal and the Bellman hangar were declared as heritage places under the *Northern Territory Heritage Conservation Act 1991*.

14:20

A bright smile waiting for passengers to check in.

ADG is proud of its community involvement.

THE COMMUNITY

ADG management and staff have reinforced their strong commitment and support for the community and the arts through the Corporate Giving and Corporate Sponsorship programs.

Throughout the year staff have been encouraged to develop fundraising initiatives, manage the process and distribute funds to those charitable organisations targeted by ADG. Corporate Giving Program allocations are budgeted annually and donations are complemented by those funds raised by staff.

The organisations supported by ADG are varied and include the sporting field, the arts, emergency services, the environment and charitable organisations such as Salvation Army, Children's Medical Research Institute and Cancer Council all who benefited from this year's staff fundraising programs.

As a result of the DIA Charity Golf Day, staff raised $8,000 for a September kid's camp for Camp Quality. Thanks to the generosity of the many stakeholders, together with a donation from the Corporate Giving Program budget, many Top End kids with cancer enjoyed being kids again at the outdoors camp.

ADG values its sponsorship of the Darwin Symphony Orchestra (DSO). The Orchestra is the only resident symphony orchestra in the Northern Territory, and draws its membership from the professional, semi-professional, student and amateur musicians in Darwin. Sponsorship of the DSO continues as part of ADG's strong commitment to social responsibility to the community of the Northern Territory.

Alice Springs Airport hosted and supported the Outback Air Race in August, a bi-ennial fundraising event in support of the Royal Flying Doctor Service (RFDS). Flying enthusiasts with a passion for adventure and fundraising fly to various parts of Australia raising the awareness of the RFDS having done months of fundraising leading up to the event. This year approximately 20 aircraft flew into Alice Springs from different locations around Australia and from overseas.

10:10

Multi lingual welcome signs greet travellers after stepping off the tarmac at Alice Springs Airport.

10:25

A passenger plays make believe on the lily pads of the Darwin International Airport's tropical carpet.

ADG looks forward to a period of continued development and sustained growth.

DIRECTORS

MS JILL ROSSOUW,
Chair and Director

Jill Rossouw joined Industry Funds Management as an Investment Manager in October 2004, and her responsibilities include managing infrastructure investments in the Australian airport sector, reporting in respect of the IFM Australian Infrastructure Fund and reviewing potential investment opportunities. Ms Rossouw has experience in corporate and project finance, project management and consulting, investment management, and evaluation and structuring of infrastructure investments.

Ms Rossouw has previously worked for PricewaterhouseCoopers as Associate Director in its Project Finance group and for GE Capital as Manager Direct Equity Investments, in Australia. Whilst working for PricewaterhouseCoopers, Ms Rossouw provided project management and financial and commercial advice to the Transport Ticketing Authority on the new Ticketing Solution project, to the Royal Agricultural Society of Victoria on the Showgrounds Redevelopment project, and prepared public private partnership (PPP) business cases for infrastructure projects including the Showgrounds Redevelopment, Perth CBD Courts, SA Youth Detention Centre and hospital car parks. Previously, whilst working for GE Capital's private equity arm, Ms Rossouw was responsible for evaluation, due diligence, investment and reporting in relation to investee companies.

Prior to moving to Australia, Ms Rossouw held positions at the South African Breweries, Rand Merchant Bank and Eskom, in Johannesburg South Africa.

Ms Rossouw was appointed to the Board of the Royal Victorian Eye and Ear Hospital in July 2005, and as Chairperson of the Board's Audit Committee on 1 January 2006.

10:45

Director Jill Rossouw and Management staff, Brett Reiss and Ian Kew inspecting ADG's commercial interests.

MS DUNIA WRIGHT,
Director

Dunia Wright joined Industry Funds Management in 1998 and was appointed Senior Manager, Commercial in March 2004 following the merger of the teams and businesses from IFSPCG and the Trustee.

As Investment Manager and adviser, Ms Wright manages over $9 billion in funds, covering unlisted markets in infrastructure and private equity, both within Australia and globally, Australian debt and enhanced indexed funds in Australian equities.

With a legal background and substantial senior management experience in funds management business, Ms Wright's responsibilities include Company Secretary of Industry Funds Management, implementation and practice of appropriate corporate governance, managing all legal aspects of the company's legal and regulatory/ compliance issues and all legal aspects of the company's many and varied investment transactions.

Ms Wright's qualifications include admittance to practice as a Barrister and Solicitor of the Supreme Court of Victoria, entry on the Register of Practitioners, High Court of Australia, Bachelor of Law and Bachelor of Arts.

MR BRETT LAZARIDES,
Director

Brett Lazarides has over 19 years professional experience in financial services including Head of Infrastructure for Perpetual Investments. Responsibilities include the acquisition and ongoing management of unlisted equity investments in major infrastructure projects, primarily for wholesale superannuation clients.

Mr Lazarides' experience includes 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 specialised debt and tax-based funding for Australian and multi-national corporations, respectively.

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

Mr Lazarides resigned from the ADG Board effective 14th December, 2006.

MR CHRIS WADE,
Director

Chris Wade is a director of Airport Development Group Pty Limited, Metro Transport Sydney Pty Limited, Transtoll Pty Limited, ElectraNet Pty Limited, Interlink Roads Pty Ltd, Statewide Roads Pty Ltd and Ballarat Water Pty Ltd.

Mr Wade is an Investment Director, Infrastructure at Hastings Funds Management and is involved in management of a number of infrastructure investments on behalf of Hastings funds and clients.

ADG has created the capacity to deliver key infrastructure to accommodate key growth at our airports.

DIRECTORS
continued

MR DOMINIC HELMSLEY,
Director

During the last financial year, Dominic Helmsley was the Business Development Director for BAA International. He joined BAA International in 1996 and worked throughout Asia, United States, Latin America and the Middle East pursuing potential opportunities for BAA.

Mr Helmsley was also closely involved in the development and review of BAA's international strategy.

Mr Helmsley resigned from the ADG Board effective 31st August, 2006.

MITCHELL SLOEY KING,
Director

Mitchell King was Chairman of the ADG Board until January, 2006. He had been a Director with Hastings since 1997 and had been primarily responsible for Australian Infrastructure Fund since its initial public offering in March 1997.

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

Mr King resigned from the ADG Board effective 20th January, 2006.

12:00

Virgin Blue flight departing Alice Springs Airport for Sydney.

The Management Team

	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
	Sarah Dewar	Commercial Projects / Finance Director
Environment	**Dan Richards**	Environmental Coordinator
Operations, Technical	**John Diggins**	General Manager Development, Operations and Maintenance
Alice Springs	**Don McDonald**	General Manager Alice Springs & Tennant Creek Airport

13:50

Passengers wait for their boarding call in the tropical themed domestic departures lounge at the Darwin International Airport.

Financials

13:00

The Antonov International cargo transporter awaiting departure carrying defence and mining cargo.

Directors Report

Your directors submit their report for the year ended 30 June 2006.

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 30.

PRINCIPAL ACTIVITIES

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

No significant changes in the nature of these activities occurred during the year.

OPERATING RESULTS

The consolidated entity achieved an after tax profit of $7,252,208 for the reporting period ended 30 June 2006. This compares with the 2004/05 after tax profit of $4,726,408. Consolidated revenue increased from $37,983,732 to $43,890,486 whilst total consolidated expenses including depreciation, finance costs and income tax, increased from $33,257,324 to $36,638,278.

DIVIDENDS

ADGPL has paid unfranked dividends of $15,900,000 during the year. (2005: $13,100,000)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (A-IFRS), the company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to A-IFRS is included in note 2 to this report.

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;

- (i) the operations of the consolidated entity and parent company;
- (ii) the results of those operations; or
- (iii) 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 1997* 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.

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

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

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 as listed in note 30 to this report are covered under this insurance policy. The officers of the company covered by the insurance include the directors, executive officers and employees.

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 2006. (2005: 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 53.

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

Director Director

Melbourne, Victoria

Date: 29 November 2006

merit partners
CHARTERED ACCOUNTANTS

Tel 61 8 8982 1444
Fax 61 8 8982 1400

Level 2
9-11 Cavenagh Street
Darwin NT 0800 Australia

www.meritpartners.com.au

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 2006, 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

Merit Partners

Matthew Kennon
Partner

Date 29/11/2006

partners Amin Islam FCA Rosemary Cambell FCA Matthew Kennon CA Steven Lai CA

Income Statement

For the financial year ended 30 June 2006

	Note	Consolidated		Company	
		2006 $	2005 $	2006 $	2005 $
Revenues from continuing operations	3(b)	**43,413,623**	37,336,403	**13,112,554**	13,414,187
Other income		**476,863**	647,329	**0**	0
Salaries and employee benefits		**5,078,654**	5,127,062	**0**	0
Maintenance expense		**1,865,403**	2,108,476	**0**	0
Security and passenger screening charges		**5,024,620**	4,895,573	**0**	0
Technical Services Agreement expense		**1,936,467**	1,270,796	**0**	0
Services and utilities expense		**2,416,784**	2,284,042	**0**	0
Impairment loss		**0**	493,983	**0**	0
Other expense from ordinary activities		**3,882,357**	3,029,292	**0**	0
EBITDA*		**23,686,201**	18,774,508	**13,112,554**	13,414,187
Depreciation and amortisation expense	3(a)	**6,726,031**	5,787,333	**0**	0
Finance costs	3(a)	**7,936,946**	6,361,177	**0**	0
Profit before income tax expense		**9,023,224**	6,625,998	**13,112,554**	13,414,187
Income tax expense	4	**(1,771,016)**	(1,899,590)	**(3,933,767)**	(4,024,257)
Profit attributable to members of the entity	**24**	**7,252,208**	**4,726,408**	**9,178,787**	**9,389,930**

* EBITDA represents Earnings before Interest expense, Tax, Depreciation and Amortisation

The accompanying notes form part of these financial statements.

Balance Sheet

As at 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Current Assets					
Cash and cash equivalents	5	**1,820,075**	3,185,921	**0**	0
Trade and other receivables	6	**5,211,109**	4,618,345	**0**	0
Prepaid rent	7	**65,880**	65,880	**0**	0
Other financial assets	9	**1,387,874**	911,011	**0**	0
Other	8	**108,911**	148,095	**0**	0
Total Current Assets		**8,593,849**	**8,929,252**	**0**	**0**
Non-Current Assets					
Other financial assets	10	**0**	6,225	**99,641,669**	103,569,962
Prepaid rent	11	**5,929,207**	5,995,088	**0**	0
Investment properties	12	**47,132,956**	42,076,400	**0**	0
Investments	13	**0**	0	**24**	24
Infrastructure, plant and equipment	14	**129,005,750**	118,012,146	**0**	0
Other intangibles	15	**15,315,362**	15,483,815	**0**	0
Goodwill	16	**13,963,732**	13,963,733	**0**	0
Deferred tax assets	4	**1,274,364**	1,128,443	**0**	0
Total Non-Current Assets		**212,621,371**	**196,665,850**	**99,641,693**	**103,569,986**
Total Assets		**221,215,220**	**205,595,102**	**99,641,693**	**103,569,986**
Current Liabilities					
Trade and other payables	17	**8,499,826**	6,930,164	**0**	0
Borrowings	18	**549,706**	0	**0**	0
Provisions	19	**1,246,439**	933,135	**0**	0
Income tax payable		**3,031,369**	621,548	**3,031,369**	621,546
Total Current Liabilities		**13,327,340**	**8,484,847**	**3,031,369**	**621,546**
Non-Current Liabilities					
Other payables	4	**0**	0	**4,097,689**	3,714,592
Borrowings	20	**122,453,794**	101,264,706	**0**	0
Provisions	21	**100,384**	230,322	**0**	0
Deferred tax liabilities	4	**19,257,054**	20,890,787	**0**	0
Total Non Current Liabilities		**141,811,232**	**122,385,815**	**4,097,689**	**3,714,592**
Total Liabilities		**155,138,572**	**130,870,662**	**7,129,058**	**4,336,138**
Net Assets		**66,076,648**	**74,724,440**	**92,512,635**	**99,233,848**
Equity					
Contributed equity	22	**60,765,344**	60,765,344	**60,765,344**	60,765,344
Reserves	23	**263,682**	263,682	**0**	0
Retained profits	24	**5,047,622**	13,695,414	**31,747,291**	38,468,504
Total Equity		**66,076,648**	**74,724,440**	**92,512,635**	**99,233,848**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the financial year ended 30 June 2006

COMPANY	Contributed Equity $	Reserves $	Retained Profits $	Total $
Balance at 1 July 2004	**60,765,344**	**0**	**42,178,574**	**102,943,918**
Profit attributable to the members of the entity	0	0	9,389,930	9,389,930
Distributions paid	0	0	(13,100,000)	(13,100,000)
Balance at 30 June 2005	**60,765,344**	**0**	**38,468,504**	**99,233,848**
Profit attributable to the members of the entity	0	0	9,178,787	9,178,787
Distributions paid	0	0	(15,900,000)	(15,900,000)
Balance at 30 June 2006	**60,765,344**	**0**	**31,747,291**	**92,512,635**

CONSOLIDATED	Contributed Equity $	Reserves $	Retained Profits $	Total $
Balance at 1 July 2004	**60,765,344**	**263,682**	**22,069,006**	**83,098,032**
Profit attributable to the members of the entity	0	0	4,726,408	4,726,408
Distributions paid	0	0	(13,100,000)	(13,100,000)
Balance at 30 June 2005	**60,765,344**	**263,682**	**13,695,414**	**74,724,440**
Profit attributable to the members of the entity	0	0	7,252,208	7,252,208
Distributions paid	0	0	(15,900,000)	(15,900,000)
Balance at 30 June 2006	**60,765,344**	**263,682**	**5,047,622**	**66,076,648**

The accompanying notes form part of these financial statements.

Cash Flow Statement

For the financial year ended 30 June 2006

	Note	Consolidated		Company	
		2006 $	2005 $	2006 $	2005 $
Cash Flows from Operating Activities					
Receipts from customers		**46,477,269**	40,880,086	**0**	0
Payments to suppliers and employees		**(19,999,696)**	(19,748,817)	**0**	0
Interest received		**328,984**	250,406	**13,112,554**	13,414,187
Finance costs		**(7,923,973)**	(5,979,618)	**0**	0
Income tax paid		**(1,140,850)**	0	**(1,140,850)**	0
Goods and Services Tax paid		**(2,249,995)**	(1,740,502)	**0**	0
Net cash flows from operating activities	31	**15,491,739**	**13,661,555**	**11,971,704**	**13,414,187**
Cash Flows from Investing Activities					
Acquisition of infrastructure, plant and equipment		**(22,353,309)**	(17,467,968)	**0**	0
Proceeds from sale of plant and equipment		**46,018**	62,955	**0**	0
Advances from / (to) related parties		**0**	0	**3,928,296**	(314,187)
Net cash flows (used in) / from investing activities		**(22,307,291)**	**(17,405,013)**	**3,928,296**	**(314,187)**
Cash Flows from Financing Activities					
Proceeds from borrowings		**135,000,000**	16,000,000	**0**	0
Repayment of borrowings		**(114,200,000)**	0	**0**	0
Dividends paid		**(15,900,000)**	(13,100,000)	**(15,900,000)**	(13,100,000)
Net cash flows (used in) / from financing activities		**4,900,000**	**2,900,000**	**(15,900,000)**	**(13,100,000)**
Net decrease in cash held		**(1,915,552)**	(843,458)	**0**	0
Cash at beginning of the financial year		**3,185,921**	4,029,379	**0**	0
Cash at end of the financial year	31	**1,270,369**	**3,185,921**	**0**	**0**

The accompanying notes form part of these financial statements.

Note 1. Summary of Significant Accounting Policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 November 2006.

(b) Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard *AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'*, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the entity's financial position, financial performance and cash flows is discussed in note 2.

The directors have also elected under s.334(5) of the *Corporations Act 2001* to apply Accounting Standard *AASB 119 'Employee Benefits'* (December 2004), even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 2), the entity's date of transition.

(c) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax base of those items.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The entity is part of a tax consolidated group under Australian taxation law. Airport Development Group Pty Ltd (ADGPL) is the head entity in the tax consolidated group. Tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the ADGPL (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the entity and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(d) 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.

(e) 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

Comprises:

- 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 charges levied on a per passenger basis in respect of government mandated security measures where one hundred percent cost recovery applies.

Aeronautical revenue is recognised in the period in which passengers and aircraft physically arrive at the airport.

Trading Income

Comprises concessionaire rent, overages, and other charges received including income from public car parks. Income from concessionaire overages is recognised in the period in which the sales to which it relates arises, other rentals are recognised in the period for which the rental relates according to the lease documentation.

Income from public carparks is recognised on a cash basis.

Property

Comprises income from company owned terminals, buildings and other leased areas. Lease income is recognised on a straight line basis over the term of the lease.

(f) Trade and Other 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 is raised where recoverability is deemed to be doubtful. Debts, which are known to be unrecoverable, are written off.

Receivables from related parties are recognised and carried at the nominal amount due.

(g) 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.

(h) Impairment of Assets

At each reporting date the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Infrastructure, Plant and Equipment

(i) Cost and Valuation

The cost base assigned to infrastructure assets and plant and equipment is set out in note 14.

(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 the consolidated entity.

Depreciation and amortisation rates used are as follows:

	2006	2005
Runways Taxiways & Aprons	**2.5% - 15.0%**	4.0% - 15.0%
Roads & Car parks	**2.5% - 20.0%**	5.0% - 20.0%
Fences & Gates	**5.0% - 15.0%**	12.0% - 15.0%
Lighting & Visual Aids	**5.0% - 10.0%**	10.0%
Passenger Terminal	**2.13% - 33.3%**	4.0% - 20.0%
Buildings	**1.67% - 33.3%**	2.8% - 15.0%
Plant & Equipment	**4.0% - 33.3%**	4.0% - 33.0%
Vehicles	**15.0% - 20.0%**	15.0% - 20.0%
Computer Equipment	**15.0% - 33.3%**	33.0%

(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.

(iv) Derecognition and disposal

An item of infrastructure, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases (other than prepaid rent – refer note 1(k)), where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred on a straight line basis over the lease term.

(k) Prepaid Rent

The entity leases airport land from the Commonwealth of Australia, a portion of which is classified as a prepaid operating lease. The balance of the leased land is classified as Investment Properties (refer note 1(l)).

Upfront payments for operational land under lease from the Commonwealth of Australia are recognised as Prepaid Rent and the gross value is amortised over the period of the lease (including the option to renew) on a straight line basis.

(l) Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of the day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction of development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the entity as an owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under Infrastructure, Plant and Equipment (note 1(i)) up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the entity completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

(m) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and not subsequently reversed.

(n) Intangible assets

Lease premium

The lease premium was paid on the acquisition of the airport leases from the Federal Government and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of the lease, being 99 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(o) Trade and Other Payables

Trade and other payables 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. Payables to related parties are carried at the principal amount.

(p) Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(q) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(r) Derivative Financial Instruments

The consolidated entity has entered into interest rate swap agreements to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in note 34 to the financial statements.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

(s) Finance Costs

Finance costs, except for establishment costs, are recognised as expenses in the period in which they are incurred. Finance costs include:

- interest on bank overdraft and loans
- senior debt agents fees

- ancillary costs incurred in connection with the ongoing conduct of borrowings.

The finance costs incurred in acquiring the borrowings (establishment costs) are offset against the principal liability and expensed over the term to maturity of the debt using an effective interest basis.

(t) Maintenance and Repairs

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

(u) 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.

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 and revenues 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.

(v) Cash and cash equivalents

Cash and cash equivalents include cash on deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(w) 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.

(x) Contributed equity

Issued and paid up capital is recognised at the face 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.

(y) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard *AASB 127 'Consolidated and Separate Financial Statements'*. A list of subsidiaries appears in note 33 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(z) Rounding of amounts

The financial report is presented in Australian dollars and all values are presented to the nearest dollar. Unless otherwise stated amounts have not been rounded.

(aa) New Accounting Standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The entity's assessment of the impact of these new standards and interpretations is set out below.

The following amendments are applicable to the entity but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2006.

AASB amendment	Affected standards	Nature of change to accounting policy	Application date of standard	Application date for company
2005-5	AASB 1: *First-time adoption of AIFRS* and AASB139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. No expected impact.	1/1/2006	1/7/2006
2005-10	AASB132: *Financial Instruments: Disclosure and Presentation*, AASB 101: *Presentation of Financial Statements*, AASB 114: *Segment Reporting*, AASB117: *Leases*, AASB 133: *Earnings per Share*, AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 1: *First-time adoption of AIFRS*, AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts*, and AASB 1028: *Life Insurance Contracts*	No change to accounting policy required. No expected impact.	1/1/2007	1/7/2007
New standard	AASB 7: *Financial Instruments*: *Disclosures*	No change to accounting policy required. No expected impact.	1/1/2007	1/7/2007
UIG 4	Determining whether an Arrangement contains a Lease	No change to accounting policy required. No expected impact.	1/1/2006	1/7/2006

The following amendments are not applicable to the entity and therefore have no impact.

AASB amendment	Affected standards
2004-3	AASB 1: *First time adoption of AIFRS, AASB 101: Presentation of Financial Statements*, AASB 124: *Related Party Disclosures*
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*
2005-2	AASB 1023: *General Insurance Contracts*
2005-4	AASB 139: *Financial Instruments: Recognition and Measurement*, AASB132: *Financial Instruments: Disclosure and Presentation*, AASB 1: *First time adoption of AIFRS*, AASB 1023: *General Insurance Contracts* and AASB 1028: *Life Insurance Contracts*
2005-6	AASB 3: *Business Combinations*
2005-9	AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts*, AASB 139: *Financial Instruments: Recognition and Measurement*, and AASB132: *Financial Instruments: Disclosure and Presentation*
2005-12	AASB 1028: *Life Insurance Contracts* and AASB 1023: *General Insurance Contracts*
2005-13	AAS25: *Financial Reporting by Superannuation Plans*
2006-1	AASB 121: *The Effects of Changes in Foreign Exchange Rates*
UIG5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
UIG 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
UIG 7	Applying the Restatement Approach under AASB 129 *Financial Reporting Hyperinflationary Economies*
UIG 8	Scope of AASB 2: *Share-based Payment*
UIG 9	Reassessment of Embedded Derivatives

(bb) Company information

ADGPL is a company limited by shares that is incorporated and domiciled in Australia.

The registered office and principal place of business 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.

Note 2. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the company and consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the balance sheet as at 1 July 2004

		Consolidated			Company		
	Note	Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $	Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $
Current assets							
Cash		4,204,331	-	4,204,331	-	-	-
Receivables	a	4,646,370	5,000	4,651,369	-	-	-
Prepaid rent	b	-	65,880	65,880	-	-	-
Other Financial Assets		-	263,682	263,682	-	-	-
Current tax assets	g	2,650,750	(702,796)	1,947,954	2,650,750	(702,796)	1,947,954
Other		72,099	-	72,099	-	-	-
Total current assets		**11,573,550**	**(368,234)**	**11,205,316**	**2,650,750**	**(702,796)**	**1,947,954**
Non-current assets							
Receivables	g	-	-	-	103,261,903	696,713	103,958,616
Investments		-	-	-	24	-	24
Prepaid rent	b	-	6,060,968	6,060,968	-	-	-
Infrastructure, plant and equipment	d	75,063,081	30,221,277	105,284,358	-	-	-
Investment properties	c	-	42,076,400	42,076,400	-	-	-
Intangibles		15,652,268	-	15,652,268	-	-	-
Goodwill	e	-	13,963,733	13,963,733	-	-	-
Deferred expenditure	e,f	14,372,014	(14,372,014)	-	-	-	-
Deferred tax assets	g	-	1,069,274	1,069,274	-	-	-
Other		-	-	-	-	-	-
Total non-current assets		**105,087,363**	**79,019,638**	**184,107,001**	**103,261,927**	**696,713**	**103,958,640**
Total assets		**116,660,913**	**78,651,404**	**195,312,317**	**105,912,677**	**(6,083)**	**105,906,594**

Effect of A-IFRS on the balance sheet as at 1 July 2004 (continued)

	Note	Consolidated			Company		
		Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $	Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $
Current liabilities							
Payables		4,579,721	-	4,579,721	6,129	-	6,128
Borrowings		174,952	-	174,952	-	-	-
Current tax liabilities	g	6,083	(6,083)	-	6,083	(6,083)	-
Provisions		880,920	-	880,920	-	-	-
Total current liabilities		**5,641,676**	**(6,083)**	**5,635,593**	**12,212**	**(6,083)**	**6,128**
Non-current liabilities							
Payables		-	-	-	2,956,550	-	2,956,550
Borrowings	f	86,200,000	(1,264,327)	84,935,673	-	-	
Deferred tax liabilities	g	-	21,501,531	21,501,531	-	-	
Provisions		141,488	-	141,488	-	-	
Other		-	-	-	-	-	
Total non-current liabilities		**86,341,488**	**20,237,204**	**106,578,692**	**2,956,550**	**-**	**2,956,550**
Total liabilities		**91,983,164**	**20,231,121**	**112,214,285**	**2,968,759**	**-**	**2,962,678**
Net assets		**24,677,749**	**58,420,283**	**83,098,032**	**102,943,918**		**102,943,918**
Equity							
Contributed equity		60,765,344	-	60,765,344	60,765,344	-	60,765,344
Reserves	f	-	263,682	263,682	-	-	
Retained earnings	h	(36,087,595)	58,156,601	22,069,006	42,178,574	-	42,178,574
Total equity		**24,677,749**	**58,420,283**	**83,098,032**	**102,943,918**	**-**	**102,943,918**

* Reported financial position for the financial year ended 30 June 2004.

Effect of A-IFRS on the income statement for the financial year ended 30 June 2005

	Note	Consolidated			Company		
		Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $	Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $
Revenue		37,336,403	-	37,336,403	13,414,187	-	13,414,187
Other income	f	-	647,329	647,329	-	-	
Employee benefits expense		5,127,062	-	5,127,062	-	-	
Depreciation and amortisation expense	d	7,639,353	(1,852,020)	5,787,333	-	-	
Finance costs		6,038,370	322,807	6,361,177	-	-	
Maintenance expense		2,108,476	-	2,108,476	-	-	
Security and passenger screening charges		4,895,573	-	4,895,573	-	-	
Technical Services Agreement expense		1,270,796	-	1,270,796	-	-	
Services and utilities expense		2,284,042	-	2,284,042	-	-	
Impairment loss	a	-	493,983	493,983		-	
Other expenses		3,029,292	-	3,029,292	-	-	
Profit before income tax expense		**4,943,439**	**1,682,559**	**6,625,998**	**13,414,187**	**-**	**13,414,187**
Income tax expense	g	(1,334,963)	(564,627)	(1,899,590)	(4,024,257)	-	(4,024,257)
Profit from continuing operations		**3,608,476**	**1,117,931**	**4,726,408**	**9,389,930**	**-**	**9,389,930**
Profit from discontinued operations		-	-	-	-	-	-
Profit attributable to members of the parent entity		**3,608,476**	**1,117,931**	**4,726,408**	**9,389,930**	**-**	**9,389,930**

* Reported financial results for the year ended 30 June 2005.

Effect of A-IFRS on the balance sheet as at 30 June 2005

	Note	Consolidated			Company		
		Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $	Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $
Current assets							
Cash		3,185,921	-	3,185,921	-	-	-
Receivables	a	4,613,345	5,000	4,618,345	-	-	-
Prepaid rent	b	-	65,880	65,880	-	-	-
Other Financial Assets	f	-	911,011	911,011	-	-	-
Current tax assets		490,865	(490,865)	-	490,865	(490,865)	-
Other		148,095	-	148,095	-	-	-
Total current assets		**8,438,226**	**491,026**	**8,929,252**	**490,865**	**(490,865)**	**-**
Non-current assets							
Receivables	g	-	6,225	6,225	103,569,962	-	103,569,962
Investments		-	-	-	24	-	24
Prepaid rent	b	-	5,995,088	5,995,088	-	-	-
Infrastructure, plant and equipment	d	86,830,658	31,181,488	118,012,146	-	-	-
Investment property	c	-	42,076,400	42,076,400	-	-	-
Intangibles		15,483,815	-	15,483,815	-	-	-
Goodwill	e	-	13,963,733	13,963,733	-	-	-
Deferred expenditure	e,f	13,908,308	(13,908,308)	-	-	-	-
Deferred tax assets	g	1,425,181	(296,738)	1,128,443	1,425,181	(1,425,181)	-
Other		-	-	-	-	-	-
Total non-current assets		**117,647,962**	**79,017,887**	**196,665,850**	**104,995,167**	**(1,425,181)**	**103,569,986**
Total assets		**126,086,188**	**79,508,913**	**205,595,102**	**105,486,032**	**(1,916,046)**	**103,569,986**
Current liabilities							
Payables		6,930,164	-	6,930,164	-	-	-
Borrowings		-	-	-	-	-	-
Current tax liabilities	g	606,342	15,206	621,548	606,340	15,206	621,546
Provisions		933,135	-	933,135	-	-	-
Total current liabilities		**8,469,641**	**15,206**	**8,484,847**	**606,340**	**15,206**	**621,546**

Effect of A-IFRS on the balance sheet as at 30 June 2005 (continued)

	Note	Consolidated			Company		
		Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $	Super-seded policies* $	Effect of transition to A-IFRS $	A-IFRS $
Non-current liabilities							
Payables	g	-			5,645,844	(1,931,252)	3,714,592
Borrowings	e	102,200,000	(935,294)	101,264,706	-	-	-
Deferred tax liabilities	g	-	20,890,787	20,890,787	-	-	-
Provisions		230,322	-	230,322	-	-	-
Other		-	-	-	-	-	-
Total non-current liabilities		**102,430,322**	**19,955,493**	**122,385,815**	**5,645,844**	**(1,931,252)**	**3,714,592**
Total liabilities		**110,899,963**	**19,970,669**	**130,870,662**	**6,252,184**	**(1,916,046)**	**4,336,138**
Net assets		**15,186,225**	**59,538,214**	**74,724,440**	**99,233,848**	**-**	**99,233,848**
Equity							
Contributed equity		60,765,344	-	60,765,344	60,765,344	-	60,765,344
Reserves	f	-	263,682	263,682	-	-	-
Retained earnings	h	(45,579,119)	59,274,532	13,695,414	38,468,504	-	38,468,504
Total equity		**15,186,225**	**59,538,214**	**74,724,440**	**99,233,848**	**-**	**99,233,848**

* Reported financial position for the financial year ended 30 June 2005.

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity

(a) Impairment of assets

Under A-IFRS, specific guidance exists in relation to the measurement of impairment. A financial asset or group of assets is impaired and impairment losses are incurred only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. There was no specific impairment guidance under superseded accounting standards, particularly for current financial assets. Accordingly, the general provision of $5,000 for doubtful debts has been reversed at the date of transition.

In addition, impairment of infrastructure, plant and equipment at 30 June 2005 of $493,983 (company: nil) was assessed and recognised to profit and loss.

(b) Prepaid Rent

Under A-IFRS, lease of land is classified as an operating lease. Payment made on entering into the operating lease for the airport site with the Commonwealth of Australia is to be accounted for under A-IFRS as a prepaid lease to be amortised over the 99 year lease term (including the option to renew). No specific guidance existed under superseded accounting standards. Accordingly, $6,522,128 previously recorded as a land asset has been reclassified to prepayments at the date of transition (company: nil) with $395,280 recorded to retained earnings in recognition of accumulated amortisation. A further $65,880 has been recognised during the financial year ended 30 June 2005 as amortisation to profit and loss.

(c) Investment properties

Land and buildings of $17,554,865 (company: nil) have been reclassified from infrastructure, plant and equipment to investment properties at the date of transition. The fair value of the land and building was deemed to be its cost at that date. In addition, a fair value uplift of $24,521,535 has been recognised to retained earnings.

(d) Infrastructure, plant and equipment

The consolidated entity elected to measure property, plant and equipment on transition to A-IFRS at fair value and has used that fair value as the item's deemed cost at that date. The effect of the revaluation to fair value for property, plant and equipment previously held at cost (after reclassifying land to prepaid rent and land and buildings to investment property) is an increase in the carrying amount of property, plant and equipment of $54,298,270 (company: nil) at 1 July 2004 to retained earnings. Depreciation expenditure was reversed for the financial year ended 30 June 2005 by $1,454,194 (company: nil) in recognition of the net impact of additional depreciation resulting from the fair value increment and the reassessment of useful lives of all assets at the reporting date as required under A-IFRS.

The aggregate value of infrastructure, plant and equipment prior to revaluation for which fair value was used as deemed cost amounted to $40,837,016.

(e) Business Combinations

The consolidated entity elected not to retrospectively restate business combinations. Accordingly the transitional accounting requirements of AASB 1 'First-time Adoption of International Accounting Standards' have been applied in relation to the acquisition of the three Northern Territory airports on 10 June 1998.

AASB 1 permits a previously recognised intangible asset that no longer qualifies for recognition under A-IFRS, to be reclassified to goodwill. Bid costs of $13,963,733 recognised at the date of acquisition have been reclassified as goodwill. Accumulated amortisation at the date of transition of $856,046 has been written back to retained earnings. A further $140,899 of amortisation expensed during the financial year ended 30 June 2005 has also been reversed to profit and loss.

(f) Financial Instruments

AASB 132 'Financial Instruments: Presentation and Disclosure' (AASB 132) and AASB 139: 'Financial Instruments: Recognition and Measurement' (AASB 139) have been adopted at the date of transition.

Transaction costs for financial liabilities measured at amortised cost are required to be included in the measurement of the financial liability on initial recognition. Finance costs of $1,264,327 (company: nil) have been reclassified from deferred expenditure to borrowings at the date of transition.

Interest rate swaps of the consolidated entity have been recognised on balance sheet at fair value at the date of transition. The floating to fixed interest rate swap represents a cash flow hedge with fair value of $263, 682 (company: nil) at the date of transition recognised to equity. An unrealised gain of $647,329 has been recognised to profit and loss during the financial year ended 30 June 2005 (company: nil).

(g) Income tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

Under A-IFRS, deferred tax balances of wholly-owned subsidiaries in a tax-consolidated group are not recognised by the head entity. These balances were recognised under the superseded policies. An adjustment to retained earnings of $21,128,970 (company: nil) was recorded to recognise deferred taxes associated primarily with the fair value uplift of infrastructure, plant and equipment and investment property.

The effect on consolidated profit for the financial year ended 30 June 2005 was to increase previously reported income tax expense by $564,627 (company: nil).

(h) Retained earnings

The effect of the above adjustments on retained earnings is as follows:

	Note	Consolidated		Company	
		2006 $	2005 $	2006 $	2005 $
Derecognition of general debtor provision	a	5,000	5,000	-	-
Impairment loss	a	-	(493,983)	-	-
Recognition of fair value adjustments on investment properties	c	24,521,535	24,521,535	-	-
Fair value as deemed cost	d	54,298,270	54,298,270	-	-
Adjust depreciation expense for reassessment of useful lives	d	-	1,454,194	-	-
Reverse previous amortisation of bid costs	e	856,046	996,945	-	-
Unrealised gain on interest rate swap	e	-	647,329	-	-
To recognise amortisation of prepaid rent	b	(395,280)	(461,161)	-	-
Adoption of balance sheet liability method for tax-effect accounting	g	(21,128,970)	(21,693,597)	-	-
Total adjustment to retained earnings		**58,156,601**	**59,274,532**	**-**	**-**

Note 3. Revenues and Expenses

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
(a) Expenses				
Interest				
- Interest costs on external borrowings	**6,758,292**	5,937,976	**0**	0
- Amortisation of borrowing expenses	**1,078,071**	322,807	**0**	0
- Other borrowing expenses	**100,583**	100,394	**0**	0
Total finance costs	**7,936,946**	**6,361,177**	**0**	**0**
Depreciation				
- Plant and equipment	**469,599**	1,042,180	**0**	0
- Infrastructure assets	**6,022,098**	4,510,819	**0**	0
	6,491,697	**5,552,999**	**0**	**0**
Amortisation				
- Lease franchise fee	**168,454**	168,454	**0**	0
- Prepaid rent	**65,880**	65,880	**0**	0
	234,334	**234,334**	**0**	**0**

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Provision for doubtful debts expense	**181,381**	(132,121)	**0**	0
Other provisions				
- Employee benefits	**91,615**	98,571	**0**	0
Net (gain) / loss on disposal of plant and equipment	**(4,110)**	(26,480)	**0**	0
Security and passenger screening charges	**5,024,620**	4,895,573	**0**	0
(b) Revenue from continuing operations				
Rendering of Services				
- Aeronautical Charges	**26,613,554**	22,022,432	**0**	0
- Trading income	**5,616,545**	4,983,830	**0**	0
- Property	**5,435,120**	4,513,828	**0**	0
- Other	**5,415,310**	5,539,427	**0**	0
Total	**43,080,529**	**37,059,517**	**0**	**0**
Other income				
- Interest	**328,984**	250,406	**13,112,554**	13,414,187
- Proceeds on sale of non current assets	**4,110**	26,480	**0**	0
Total revenue from continuing operations	**43,413,623**	**37,336,403**	**13,112,554**	**13,414,187**
(c) Other income				
Unrealised gain on interest rate swap contract – cash flow hedge	**476,863**	647,329	**0**	0

Note 4. Income Tax

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Income statement				
Current income tax				
Current tax expense	**2,606,490**	2,569,503	**3,933,767**	4,024,257
Deferred income tax				
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	**(835,474)**	(669,913)	**0**	0
Income tax expense reported in the income statement	**1,771,016**	**1,899,590**	**3,933,767**	**4,024,257**
Statement of recognised income & expense				
A reconciliation between the tax expense and the product of accounting profit before income tax multiplied by the entity's applicable income tax rate is as follows:				
Accounting profit from continuing operations	**9,023,224**	6,625,998	**13,112,554**	13,414,187
Prima facie tax at 30%	**2,706,968**	1,987,799	**3,933,767**	4,024,257
Unrealised gain on interest rate swap	**0**	(194,199)	**0**	0
Fair value revaluations on property, plant & equipment	**(943,933)**	0	**0**	0
Capital allowances	**0**	(12,663)	**0**	0
Expenditure not allowable for income tax purposes	**8,230**	106,578	**0**	0
Other	**(248)**	12,075	**0**	0
Income tax expense reported in the income statement	**1,771,016**	**1,899,590**	**3,933,767**	**4,024,257**

Deferred income tax at 30 June relates to the following:

	Balance Sheet		Income Statement	
	2006 $	2005 $	2006 $	2005 $
Consolidated				
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**19,250,520**	20,883,918	**689,465**	611,530
Prepayments	**6,534**	6,869	**334**	(786)
	19,257,054	**20,890,787**		

	Balance Sheet		Income Statement	
	2006 $	2005 $	2006 $	2005 $
Deferred tax assets				
Accelerated depreciation for tax purposes	**171,155**	236,471	**(1,637)**	(14,956)
Accrued expenses	**11,700**	122,040	**(3,240)**	93,581
Provision for doubtful debts	**119,582**	66,668	**52,914**	(39,636)
Other provisions	**149,019**	36,841	**32,109**	(4,661)
Employee leave provisions	**344,664**	286,278	**31,355**	20,825
Accrued superannuation	**13,236**	22,216	**(8,980)**	(45,621)
Intangible assets	**408,465**	357,929	**50,536**	49,637
Tax assets	**56,543**	0	**(7,384)**	0
	1,274,364	**1,128,443**	**835,474**	**669,913**
Company				
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**0**	0	**0**	0
Prepayments	**0**	0	**0**	0
	0	**0**		
Deferred tax assets				
Accelerated depreciation for tax purposes	**0**	0	**0**	0
Accrued expenses	**0**	0	**0**	0
Provision for doubtful debts	**0**	0	**0**	0
Other provisions	**0**	0	**0**	0
Employee leave provisions	**0**	0	**0**	0
Accrued superannuation	**0**	0	**0**	0
Intangible assets	**0**	0	**0**	0
Tax assets	**0**	0	**0**	0
	0	**0**	**0**	**0**

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Other				
Payable to related entities – loan under tax sharing arrangement	**0**	0	**4,097,689**	3,714,592

Tax consolidation

Airport Development Group Pty Ltd and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2004. Airport Development Group Pty Ltd is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income expense to the wholly owned subsidiaries on a pro-rata basis. In addition the arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding arrangement. The tax funding arrangement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding arrangement are made at the end of each quarter. The allocation of taxes under the tax funding arrangement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Airport Development Group Pty Ltd. Because under UIG 1052 *Tax Consolidation Accounting* the allocation of current taxes to tax consolidated group members on the basis of accounting profits is not an acceptable method of allocation given the group's circumstances, the difference between the current tax amount that is allocated under the tax funding arrangement and the amount that is allocated under an acceptable method is recognised as contribution/distribution of subsidiaries' equity accounts. The group has applied the Stand-Alone Taxpayer allocation approach in determining the appropriate amount of current taxes to allocate to the members of the tax consolidated group.

In preparing the accounts for Airport Development Group Pty Ltd and its 100% owned Australian resident subsidiaries there were no amounts recognised as tax-consolidation contribution adjustments.

Note 5. Cash and cash equivalents

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Cash balance comprises:				
- Cash on hand	**16,536**	16,536	**0**	0
- Cash at bank	**1,803,539**	3,169,385	**0**	0
Closing cash balance	**1,820,075**	**3,185,921**	**0**	**0**

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at the end of the financial year:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash on hand	**16,536**	16,536	**0**	0
Cash at bank	**1,803,539**	3,169,385	**0**	0
Bank Overdraft (note 18)	**(549,706)**	0	**0**	0
	1,270,369	**3,185,921**	**0**	**0**

Interest is earned on current accounts at floating rates based on daily bank deposit rates. Average interest rates earned is disclosed in note 34.

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Note 6. Trade and other receivables				
Trade debtors	**5,609,717**	4,835,573	**0**	0
Less: Provision for doubtful debts	**(398,608)**	(217,228)	**0**	0
	5,211,109	**4,618,345**	**0**	**0**

Trade debtors are non-interest bearing and generally on 30 day terms. An allowance for doubtful debts is made where there is objective evidence that a trade debtor is impaired.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 7. Prepaid rent (Current)				
Prepaid rent	**65,880**	65,880	**0**	0
Note 8. Other assets (Current)				
Prepayments	**108,911**	148,095	**0**	0
Note 9. Other financial assets (Current)				
Interest rate swap contracts – cash flow hedges	**1,387,874**	911,011	**0**	0
Note 10. Other financial assets (Non-current)				
From related parties	**0**	6,225	**99,641,669**	103,569,962
Note 11. Prepaid rent (Non-current)				
Prepaid rent	**5,929,207**	5,995,088	**0**	0
Prepaid rent:				
Carrying amount at the beginning of the year	**5,995,088**	6,060,968	**0**	0
Portion amortised during the year	**(65,881)**	(65,880)	**0**	0
Carrying amount at the end of the year	**5,929,207**	**5,995,088**	**0**	**0**
Note 12. Investment properties				
Investment properties – at fair value	**47,132,956**	42,076,400	**0**	0
Investment properties:				
Carrying amount at the beginning of the year	**42,076,400**	42,076,400	**0**	0
Additions	**5,056,556**	0	**0**	0
Carrying amount at the end of the year	**47,132,956**	**42,076,400**	**0**	**0**

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Amounts recognised in the income statement for investment property				
Rental income	**1,282,373**	298,122	**0**	0
Direct operating expenses from property that generate rental income	**(54,581)**	(8,750)	**0**	0
Net income	**1,227,792**	**289,372**	**0**	**0**

Investment properties are stated at fair value, which has been determined based on the valuation of Land and Buildings performed by RJ Gardiner CPV in Accordance with the Asset Valuation Handbook at 30 June 2004 and the capitalisation of future rental streams.

Leasing arrangements

The investment properties are leased to tenants under long term operating leases with rentals generally payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:				
Within one year	**1,505,390**	825,340	**0**	0
Later than one year but no later than 5 years	**5,880,653**	3,125,007	**0**	0
Later than 5 years	**2,859,299**	1,634,620	**0**	0
	10,245,342	**5,584,967**	**0**	**0**

Contractual obligations

Refer to note 28 for disclosure of any contractual obligations which include to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Note 13. Investments

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Shares in subsidiary companies at cost	**0**	0	**24**	24

Note 14. Infrastructure, Plant and Equipment

Plant and Equipment

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Plant and equipment – at cost	**5,563,263**	5,461,678	**0**	0
Accumulated depreciation	**(4,128,362)**	(4,026,127)	**0**	0
Total Plant and Equipment	**1,434,901**	**1,435,551**	**0**	**0**

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Infrastructure Assets				
Infrastructure assets under lease – at cost	**131,159,731**	114,240,167	**0**	0
Accumulated depreciation	**(20,816,337)**	(14,963,089)	**0**	0
Total Infrastructure Assets	**110,343,394**	**99,277,078**	**0**	**0**
Work in progress	**17,227,455**	17,299,517	**0**	0
Total Infrastructure, Plant and Equipment	**129,005,750**	**118,012,146**	**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:	**176,138,706**	160,088,546	**0**	0

(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). The valuation of land and buildings as at 30 June 2004 was $144.47M. The valuations were adopted as the deemed cost under International Financial Reporting Standards transitional provisions.

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.

(c) Reconciliations

Plant & Equipment				
Carrying amount at the beginning	**1,435,551**	1,966,921	**0**	0
Additions	**441,781**	530,993	**0**	0
Transfer from work in progress	**48,967**	16,292	**0**	0
Disposals	**(21,799)**	(36,475)	**0**	0
Depreciation	**(469,599)**	(1,042,180)	**0**	0
Carrying amount at the end	**1,434,901**	**1,435,551**	**0**	**0**
Infrastructure Assets				
Carrying amount at the beginning	**99,277,078**	100,905,677	**0**	0
Additions	**1,908,809**	744,677	**0**	0
Transfer from work in progress	**15,179,605**	2,137,543	**0**	0
Depreciation	**(6,022,098)**	(4,510,819)	**0**	0
Carrying amount at the end	**110,343,394**	**99,277,078**	**0**	**0**

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Work in progress				
Carrying amount at the beginning	**17,299,517**	2,411,760	**0**	0
Plant and equipment additions	**930,324**	62,314	**0**	0
Infrastructure additions	**14,226,186**	16,979,278	**0**	0
Transfers to plant and equipment	**(48,967)**	(16,292)	**0**	0
Transfers to infrastructure	**(15,179,605)**	(2,137,543)	**0**	0
Carrying amount at the end	**17,227,455**	**17,299,517**	**0**	**0**
Note 15. Other Intangibles				
Lease franchise fee	**16,676,910**	16,676,910	**0**	0
Provision for amortisation	**(1,361,548)**	(1,193,095)	**0**	0
	15,315,362	**15,483,815**	**0**	**0**
Gross carrying amount				
Balance at the beginning of the financial year	**16,676,910**	16,676,910	**0**	0
Other	**0**	0	**0**	0
Balance at end of financial year	**16,676,910**	**16,676,910**	**0**	**0**
Accumulated amortisation				
Balance at the beginning of the financial year	**(1,193,095)**	(1,024,641)	**0**	0
Amortisation charged during the year	**(168,453)**	(168,454)	**0**	0
Balance at the end of the financial year	**(1,361,548)**	**(1,193,095)**	**0**	**0**
Net book value				
At the beginning of the financial year	**15,483,815**	15,652,269	**0**	0
At the end of the financial year	**15,315,362**	**15,483,815**	**0**	**0**
Note 16. Goodwill				
Gross carrying amount				
Balance at the beginning of the financial year	**13,963,733**	13,963,733	**0**	0
Other	**(1)**	0	**0**	0
Balance at end of financial year	**13,963,732**	**13,963,733**	**0**	**0**

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Accumulated impairment losses				
Balance at the beginning of the financial year	**0**	0	**0**	0
Impairment losses for the year	**0**	0	**0**	0
Balance at the end of the financial year	**0**	**0**	**0**	**0**
Net book value				
At the beginning of the financial year	**13,963,733**	13,963,733	**0**	0
At the end of the financial year	**13,963,732**	**13,963,733**	**0**	**0**

Goodwill relates to the original acquisition of the airports.

Management have carried out calculations to test for impairment of goodwill and is of the opinion that no impairment of goodwill at Darwin International or Alice Springs Airport has existed since acquisition and it is appropriate to continue to carry goodwill forward at the same value it was initially booked on acquisition.

The recoverable amount of the cash-generating units, being, Darwin International Airport and Alice Springs Airport were assessed by reference to the cash-generating unit's enterprise value.

The key assumptions used in the enterprise value calculations are as follows:

- 15 year passenger numbers as forecast by BAA International Ltd (BAA) under the technical services agreement
- Operating revenue assumptions based on agreed contracts where applicable
- Operating expenditure assumptions are based on the budget and extrapolated using inflation multipliers for key expenses
- Capital expenditure as agreed with stakeholders, with sustaining capital normalised over the long run model
- Long run inflation of 2.5%

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to individual cash-generating units as follows:
Individual cash-generating units

- Alice Springs Airport
- Darwin International Airport

The carrying amount of goodwill allocated to cash-generating units that are significant individually or in aggregate is as follows:

	Consolidated	
	2006 $	2005 $
Alice Springs Airport	**3,072,207**	3,072,207
Darwin International Airport	**10,891,525**	10,891,525

Note 17. Trade and other payables (Current)

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Trade creditors	**2,047,960**	1,296,707	**0**	0
Other creditors	**6,222,320**	5,455,421	**0**	0
Retentions and deposits held	**78,794**	94,954	**0**	0
Payments received in advance	**150,752**	83,082	**0**	0
	8,499,826	**6,930,164**	**0**	**0**

Trade and other creditors are non interest bearing and normally settled on 30 day terms.

Note 18. Borrowings (Current)

Borrowings secured by fixed charge				
- Bank Overdrafts	**549,706**	0	**0**	0

The consolidated entity has access to a bank overdraft facility amounting to $1,000,000 (2005: $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 19. Provisions (Current)

Employee Benefits				
- Annual Leave	**578,955**	522,358	**0**	0
- Long Service Leave	**469,540**	378,077	**0**	0
- Other employee benefits	**160,650**	0	**0**	0
Provision for fringe benefits tax	**37,294**	32,700	**0**	0
	1,246,439	**933,135**	**0**	**0**
Annual leave:				
Opening balance at beginning of year	**522,358**	444,459	**0**	0
Provisions raised during the year	**392,019**	354,945	**0**	0
Amounts utilised	**(335,422)**	(277,046)	**0**	0
Balance at end of the year	**578,955**	**522,358**	**0**	**0**
Long service leave:				
Opening balance at beginning of year	**378,077**	399,843	**0**	0
Provisions raised during the year	**69,648**	37,180	**0**	0
Portion transferred from non-current	**43,542**	0	**0**	0
Amounts utilised	**(21,727)**	(58,946)	**0**	0
Balance at end of the year	**469,540**	**378,077**	**0**	**0**

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Other employee benefits:				
Opening balance at beginning of year	**0**	0	**0**	0
Provisions raised during the year	**74,254**	0	**0**	0
Portion transferred from non-current	**89,396**	0	**0**	0
Balance at end of the year	**160,650**	**0**	**0**	**0**
Fringe benefits tax:				
Opening balance at beginning of year	**32,700**	36,617	**0**	0
Provisions raised during the year	**103,178**	109,609	**0**	0
Amounts utilised	**(98,584)**	(113,526)	**0**	0
Balance at end of the year	**37,294**	**32,700**	**0**	**0**
Note 20. Borrowings (Non-current)				
Borrowings secured by fixed charge:				
- Senior debt	**123,000,000**	102,200,000	**0**	0
- Unamortised finance costs	**(546,206)**	(935,294)	**0**	0
Total	**122,453,794**	**101,264,706**	**0**	**0**
Finance facilities				
Bank overdraft facility (a)	**1,000,000**	1,000,000	**0**	0
Amount of overdraft facility used	**549,706**	0	**0**	0
Senior debt facility (b)	**220,700,000**	122,700,000	**0**	0
Amount of senior debt facility used	**123,000,000**	102,200,000	**0**	0

(a) The consolidated entity has access to a bank overdraft amounting to $1,000,000 (2005: $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. Interest rates are variable.

(b) During the financial year the consolidated entity refinanced its existing senior debt facility. The term of the facility remains unchanged and is due for repayment on 6 June 2008. The amount of the facility was increased from $122.7M to $220.7M on 6 January 2006 and includes an aeronautical capital expenditure facility of $85.7M and a property development capital expenditure facility of $30M. Average interest charged for the year was 6.40%. The bank has a fixed and floating charge over all present and future assets and undertakings of the consolidated entity but exclude the property which is located outside the Northern Territory or the Australian Capital Territory.

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Note 21. Provisions (Non-current)				
Long Service leave	**100,384**	143,926	**0**	0
Other employee benefits	**0**	86,396	**0**	0
	100,384	**230,322**	**0**	**0**
Long service leave:				
Opening balance at beginning of year	**143,926**	101,488	**0**	0
Provisions raised during the year	**0**	42,438	**0**	0
Transfer to current portion	**(43,542)**	0	**0**	0
Balance at end of the year	**100,384**	**143,926**	**0**	**0**
Note 22. Contributed Equity				
Issued and paid up capital 40,765,344 ordinary shares of $1 each fully paid and issued on incorporation. (2005: $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 (2005: 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 23. Reserves				
Hedging reserve – cash flow hedge	**263,682**	263,682	**0**	0
Movements:				
Balance at the beginning of the year	**263,682**	263,682	**0**	0
Movements	**0**	0	**0**	0
Balance at the end of the year	**263,682**	**263,682**	**0**	**0**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(r).

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $

Note 24. Retained Profits

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Balance at the beginning of year	**13,695,414**	22,069,006	**38,468,504**	42,178,574
Profit / (loss) attributable to members of the entity	**7,252,208**	4,726,408	**9,178,787**	9,389,930
Total available for appropriation	**20,947,622**	26,795,414	**47,647,291**	51,568,504
Dividends provided for or paid	**(15,900,000)**	(13,100,000)	**(15,900,000)**	(13,100,000)
Balance at the end of year	**5,047,622**	**13,695,414**	**31,747,291**	**38,468,504**

Dividends of $0.39 per ordinary share (2005: $0.32 per ordinary share) were paid during the financial year. No other dividends were provided for or paid during the period. Dividends are unfranked.

Note 25. Remuneration of Directors

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
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 26. Key Management Compensation Information

(a) Other Key Management Personnel

Executives who held office during the financial year were:

Ian Kew – Chief Executive Officer
Thomas Ganley – Chief Financial Officer and Company Secretary
Brett Reiss – General Manager Commercial and Property
John Diggins – General Manager Development, Operations and Maintenance (commenced 16 August 2005)
Andrew Leipa – General Manager Operations (resigned 15 August 2005)
Daniel Richards – Environment Co-ordinator
Sarah Dewar – Commercial Projects / Finance Director (commenced 20 March 2006)
Peter Roberts – Aviation Development Director
Donald McDonald – General Manager Alice Springs and Tennant Creek Airport

(b) Total compensation paid to key management personnel for the financial year:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Short term employee benefits	**1,363,046**	1,180,621	**0**	0
Superannuation contributions	**149,937**	139,669	**0**	0
Non cash benefits	**99,700**	95,000	**0**	0
Termination benefits	**5,000**	0	**0**	0
	1,617,683	**1,415,290**	**0**	**0**

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Note 27. 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	**40,721**	38,181	**0**	0
Other services	**36,860**	61,384	**0**	0
	77,581	**99,565**	**0**	**0**
Note 28. 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	**7,853,300**	8,382,000	**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 has exceeded its capital expenditure commitments by $15.514M and therefore met its development obligations while ASAPL has funded a total of $2,684,973 toward this commitment to 30 June 2006.

Note 29. Employee Benefits

The aggregate employee benefit liability is comprised of:				
Accrued wages, salaries and on-costs	**326,130**	371,938	**0**	0
Provisions (current) – note 19	**1,209,145**	900,435	**0**	0
Provisions (non-current) – note 21	**100,384**	230,322	**0**	0
Leave benefits and accrued wages	**1,635,659**	**1,502,695**	**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. The Australian Retirement Fund merged with the Superannuation Trust of Australia and became Australian Super on 30 June 2006.

Note 30. Related Parties

Directors

The directors of ADGPL during the financial year were:

Name	Appointed	Resigned
Mr Brett John Lazarides (Chair – RAAC)	30 January 2004	
Mr Emilio Gonzalez (alternate director for Brett Lazarides)	30 January 2004	
Mr Mitchell Sloey King (Chair)	19 July 2000	20 January 2006
Mr Dominic James Helmsley	1 November 2003	31 August 2006
Mr Stuart James Condie	1 November 2003	
Mr Christopher Robert Wade	21 February 2003	
Mr Peter James McGregor (alternate director for Christopher Wade)	16 August 2006	
Mr Peter Nolan Taylor	13 February 2006	16 August 2006
Ms Jill Louise Rossouw (Chair)	24 April 2006	
Ms Dunia Mary Wright	24 April 2006	

Remuneration

Information on remuneration of directors is disclosed in note 25.

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Wholly-owned group transactions				
Interest received and receivable	**0**	0	**13,112,554**	13,414,187
Aggregate amounts receivable	**0**	0	**99,641,669**	103,569,962
Aggregate amounts payable	**0**	0	**4,097,689**	3,714,592
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	**1,936,467**	**1,270,796**	**0**	**0**

Note 31. Statement of Cash Flows

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
(a) Reconciliation of profit after tax to net cash flows from operations				
Operating profit after income tax	**7,252,208**	4,726,408	**9,178,787**	9,389,930
Depreciation and amortisation	**6,726,031**	5,787,333	**0**	0
Unrealised gain on interest rate swap	**(476,863)**	(647,329)	**0**	0
Impairment losses	**0**	493,983	**0**	0
Net profit on sale of property, plant and equipment	**(4,110)**	(26,480)	**0**	0
Change in operating assets and liabilities				
Other provisions	**4,594**	0	**0**	0
Provision for employee benefits	**178,772**	141,048	**0**	0
Trade and other receivables	**(592,765)**	33,026	**0**	0
Current tax asset	**0**	1,947,954	**0**	1,947,954
Prepayments	**39,185**	(75,997)	**0**	0
Trade and other creditors and accruals	**1,339,204**	1,007,167	**0**	2,689,294
Other payables	**0**	0	**383,094**	0
Deferred tax liabilities	**(1,633,733)**	(610,744)	**22,075**	0
Income tax payable	**2,387,748**	621,548	**2,387,748**	621,546
Deferred tax asset	**(123,846)**	(59,169)	**0**	0
Deferred finance costs	**395,314**	322,807	**0**	0
Provision for deferred income tax	**0**	0	**0**	0
Other financial assets	**0**	0	**0**	(1,234,537)
Net cash flow from operating activities	**15,491,739**	**13,661,555**	**11,971,704**	**13,414,187**
(b) Reconciliation of Cash				
Cash on hand	**16,563**	16,536	**0**	0
Cash at bank	**1,803,512**	3,169,385	**0**	0
Bank Overdraft	**(549,706)**	0	**0**	0
	1,270,369	**3,185,921**	**0**	**0**

Note 32. Segment Information

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

Note 33. Subsidiaries

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

Name	% of equity interest held by the consolidated entity		Investment	
	2006 %	2005 %	2006 $	2005 $
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 34. Financial Instruments

(a) Financial risk management objectives

Northern Territory Airports Pty Ltd (NTAPL) manages the financial risks relating to the operations of the consolidated entity and its subsidiary companies, including ADGPL and its entities.

The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by management on a continuous basis.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates. NTAPL has entered into derivative financial instruments, being an interest rate swap to manage its exposure to interest rate, on behalf of ADGPL and its entities.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings by the use of interest rate swap contracts.

Interest rate swap contracts

Under interest rate swap contract, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of the interest rate swap contract outstanding as at reporting date:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2006 %	2005 %	2006 $	2005 $	2006 $	2005 $
Outstanding floating for fixed contracts						
Interest rate swap	**5.02**	5.02	**(74,416,184)**	(42,613,211)	**1,387,874**	911,011

The entity pays interest on the swap agreement at a variable rate equal to the BBSW on the notional amount.

From 1 July 2006, interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges. Interest rate swaps outstanding at 30 June 2006 were recognised as financial assets on adoption of the accounting policies specified in note 1.

Note 34. Financial Instruments (continued)

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2006:

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							
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 %	2005 %
(i) Financial assets																
Cash and liquid assets	**1,820,075**	3,185,921											**1,820,075**	3,185,921	**4.58**	3.63
Receivables – trade											**5,211,109**	4,618,345	**5,211,109**	4,618,345	**N/A**	N/A
Interest rate swap							**1,387,874**	911,011					**1,387,874**	911,011	**5.02**	5.02
Total Financial Assets	**1,820,075**	**3,185,921**					**1,387,874**	**911,011**			**5,211,109**	**4,618,345**	**8,419,058**	**8,715,277**	**N/A**	**N/A**
(ii) Financial liabilities																
Payables											**8,499,826**	6,930,164	**8,499,826**	6,930,164	**N/A**	N/A
Bank overdrafts	**549,706**	0											**549,706**	0	**8.85**	N/A
Bank loan – Senior debt							**123,000,000**	102,200,000					**123,000,000**	102,200,000	**6.40**	6.50
Total financial liabilities	**549,706**	**0**					**123,000,000**	**102,200,000**			**8,499,826**	**6,930,164**	**132,049,532**	**109,130,164**		

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade accounts receivable consist of a number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The entity has a material exposure to the major Australian domestic airlines.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(e) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2005: net fair value).

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Transaction costs are included in the determination of net fair value.

(f) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Directors' 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 2006 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 | Director

Melbourne, Victoria

Date: 29 November 2006

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INDEPENDENT AUDIT REPORT TO MEMBERS OF AIRPORT DEVELOPMENT GROUP PTY LTD

Scope

The financial report and directors responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, 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 2006. 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 gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance 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 an 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 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 entity's financial position, and of their performance as represented by the results of their 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.

partners Amin Islam FCA Rosemary Cambell FCA Matthew Kennon CA Steven Lai CA

Independent Audit Report (continued)

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 the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration.

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 2006 and their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory professional reporting requirements in Australia.

Merit Partners

Merit Partners

Matthew Kennon
Partner

Date 29/11/2006

merit partners
CHARTERED ACCOUNTANTS

Merit Partners Pty Ltd
ABN 16 107 240 522

Fast Facts

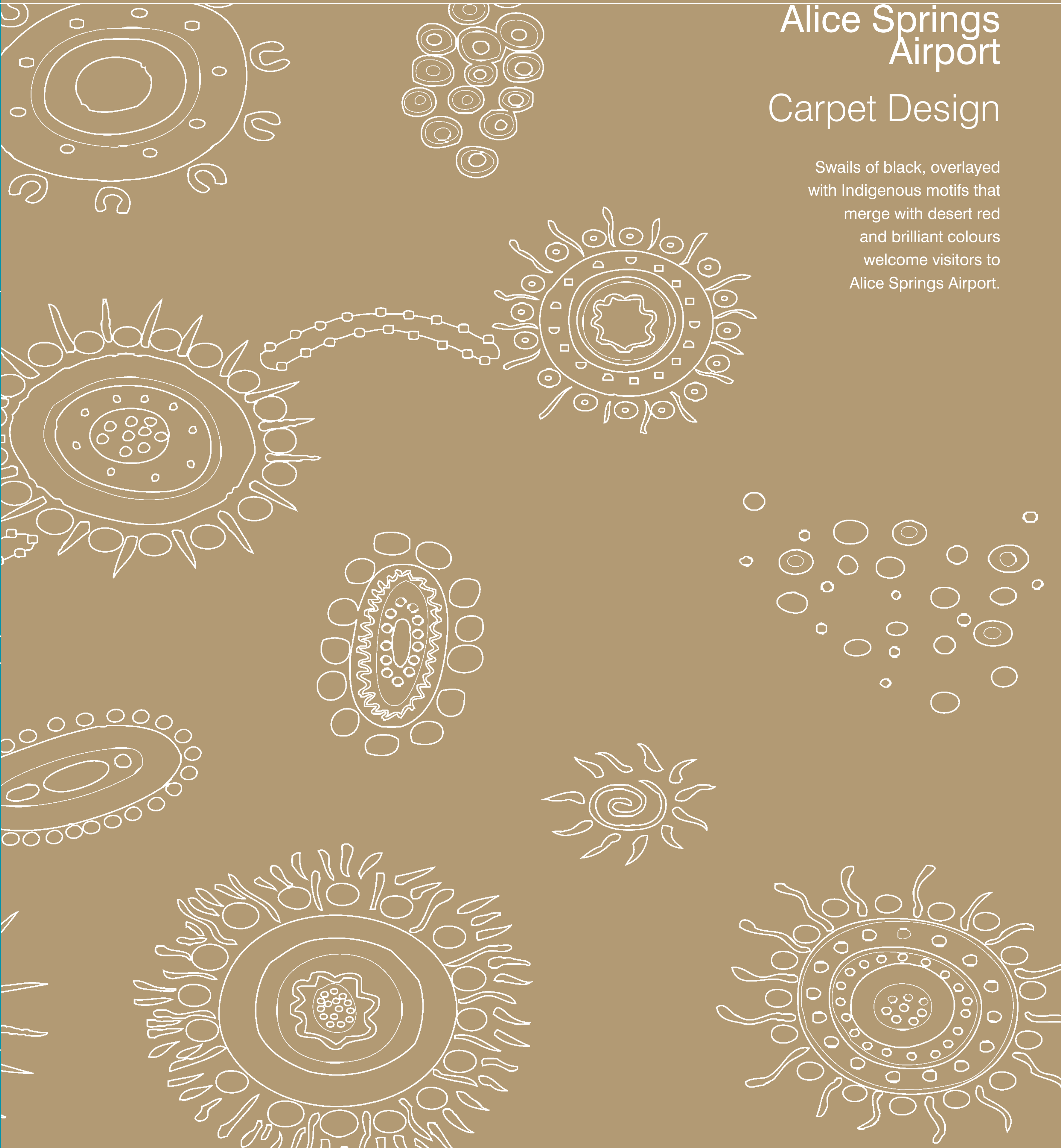
Financial Year Ending	2006	2005	2004	2003	2002
Passengers:					
DIA	1,440,000	1,386,000	1,182,000	1,085,000	1,090,000
ASA	607,000	603,000	610,000	570,000	520,000
Total	**2,047,000**	**1,989,000**	**1,792,000**	**1,655,000**	**1,610,000**
Landed Tonnes:					
DIA	662,000	621,000	539,000	525,000	590,000
ASA	204,000	233,000	239,000	223,000	206,000
TCA	5,300	4,900	4,200	6,400	7,400
Total	**871,300**	**858,900**	**782,200**	**754,400**	**803,400**
Aeronautical Charges (ex GST):					
Passenger Facilitation Charge ($/pax) **					
DIA International:	5.00	4.50	3.50	2.50	2.50
DIA Domestic:	5.00	4.50	3.50	2.50	2.50
ASA:	5.30	4.50	3.50	2.50	2.50
TCA:	n/a	n/a	n/a	n/a	n/a
Airport Services Charge ($/pax) **					
DIA International:	5.75	5.50	5.50	4.98	5.47
DIA Domestic:	5.75	5.50	5.50	4.98	4.48
ASA:	6.45	5.50	5.50	4.98	4.98
TCA:	18.00	18.00	18.00	18.00	18.00
Landing Charge General Aviation $/MTOW **					
DIA International:	18.50	18.00	16.00	15.01	15.01
DIA Domestic:	18.50	18.00	16.00	14.00	14.00
ASA:	18.50	18.00	17.25	16.50	16.50
TCA:	23.00	23.00	23.00	23.00	23.00
Revenue $000s***					
DIA	28,161	23,238	18,843	15,651	12,422
ASA	10,057	9,062	8,174	6,581	4,815
TCA	211	153	183	196	212
Other	438	635	6	96	35
Total ADG	**38,867**	**33,088**	**27,206**	**22,524**	**17,484**
EBITDA $000s					
DIA	16,749	12,770	10,017	6,869	6,016
ASA	6,445	5,349	4,871	3,770	2,500
TCA	15	(22)	-	16	21
Other	477	677	51	96	83
Total ADG	**23,686**	**18,774**	**14,939**	**10,751**	**8,620**
Capital Expenditure $000s					
DIA	20,731	17,771	4,197	1,797	4,070
ASA	1,831	1,035	970	277	113
TCA	1	5	3	14	-
Total ADG	22,563	18,811	5,170	2,088	4,183
Employees					
DIA	42	42	41	36	30
ASA	11	11	12	13	12
TCA	1	1	2	2	2
Total ADG	54	54	55	51	44

** as at 30 June *** excludes safety & security charge revenue / expenses

Alice Springs Airport

Carpet Design

Swails of black, overlayed
with Indigenous motifs that
merge with desert red
and brilliant colours
welcome visitors to
Alice Springs Airport.



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Website: www.ntapl.com.au

FIRST CLASS IN GRAPHIC DESIGN

Airport Development Group
Darwin International Airport
Alice Springs Airport
Tennant Creek Airport