Airport Development Group

# ANNUAL REPORT

2006/2007

## OUR THEME

This year's annual report for Airport Development Group (ADG) has been inspired by the most valuable asset at Darwin, Alice Springs and Tennant Creek Airports, our people.

The stories and images from our staff, contractors and others that contribute to the airports, highlight the diverse and sometimes complex roles that must be knitted together to effectively run our businesses.

Employing over 60 full-time staff and contracting many other personnel to provide key airport services, ADG is proud to provide critical infrastructure to the people of the Northern Territory.

2006/07 was an exciting year with the development of commercial land, increasing passenger numbers and significant revenue growth.


CONTENTS



# OUR MISSION

"In the interests 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

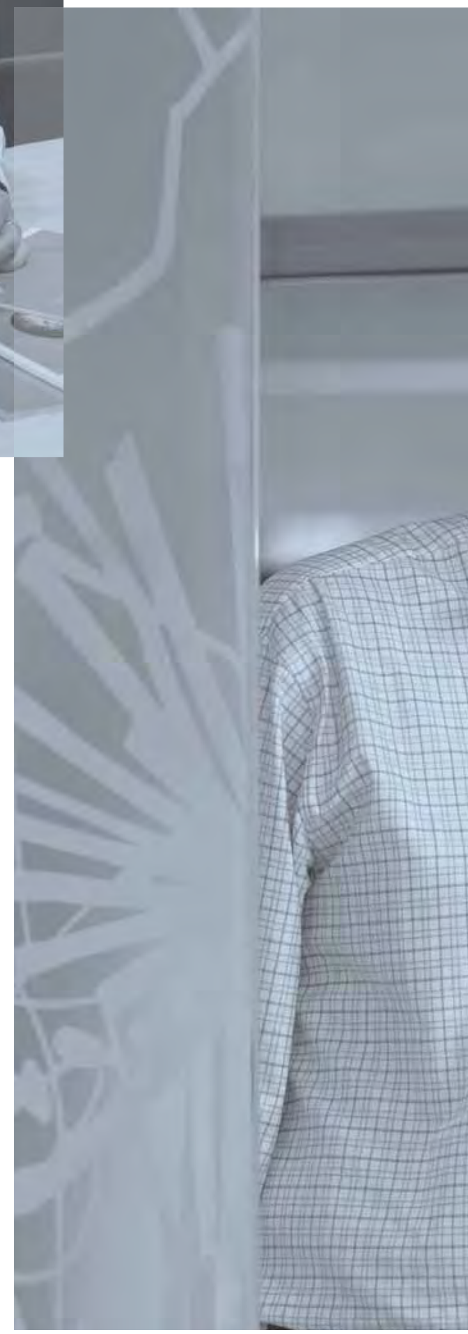
Airport Development Group's vision is to be a world class Airport business. That is, we aspire to achieve the following:

- 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.



“I enjoy the fact that I’m playing a part in the dynamic and ever changing environment of the aviation industry”

## 2007 HIGHLIGHTS

- Operating revenue of $50.6M (2006: $38.9M) an increase of 32% on the previous year.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $31.2M (2006: $23.2M) an increase of 34% on the prior year.
- Total of 1,654,000 passengers at Darwin International Airport (2006: 1,440,000), an increase of 15% on the previous financial year.
- Construction, completion and opening at Darwin International Airport of the Bunnings Warehouse in November 2006 including associated roads and infrastructure in DIA’s new commercial precinct.
- Construction of Darwin International Airport’s fourth aerobridge on Bay 1 and major refurbishment of the three other existing aerobridges.
- Construction of the Checked Bag Screening system at Alice Springs Airport, including installation of new check-in counters, tourist desk counters and baggage reclaim areas.
- Announcement by Tiger Airways of their first Australian domestic services to include Darwin International and Alice Springs Airports commencing December 2007.

**TOM GANLEY** – As the Chief Financial Officer and Company Secretary, Tom has worked in the airport industry for over 19 years, seven of those spent with Airport Development Group based in Darwin. “I’ve seen first-hand the challenges of the pilots strike in 1989, and the unfortunate demise of Ansett in 2001. Today however, the industry has never been stronger”. As an Executive, Tom supports the Chief Executive and the Board of Airport Development Group in the development of the organisation’s strategic direction. Tom also leads the finance, administration and IT teams. Says Tom, “The aviation industry is characterised by long serving, dedicated professionals in which I’m proud of my association with and the fulfilment it brings to my life. Outside of work, my 3 year old son provides significant entertainment for my wife and I, and together we enjoy the relaxed lifestyle of the Top End. Weather permitting I enjoy a hit of tennis, and if not, experimenting in the kitchen with a glass of wine (or two!).”

On behalf of my fellow board members I am pleased to present the Annual Report for the Airport Development Group (ADG) communicating to all stakeholders our review of the performance of our airport businesses in the Northern Territory. They are Darwin International (DIA), Alice Springs (ASA) and Tennant Creek Airports (TCA).

This will be my last report as Chair of ADG as I am about to take maternity leave and look forward to the birth of my first child. The shareholders will appoint a new Chair with the skill and experience in the aviation sector necessary to take ADG forward and deliver the exciting and rewarding future that we believe awaits our Northern Territory Airport businesses.

2007 was a highly successful year in which revenues grew by 32%, EBITDA grew by 34% (up 100% over past three years). On a combined basis, Darwin International and Alice Springs Airports handled 2.3 million passengers representing a 9% increase on the previous period.

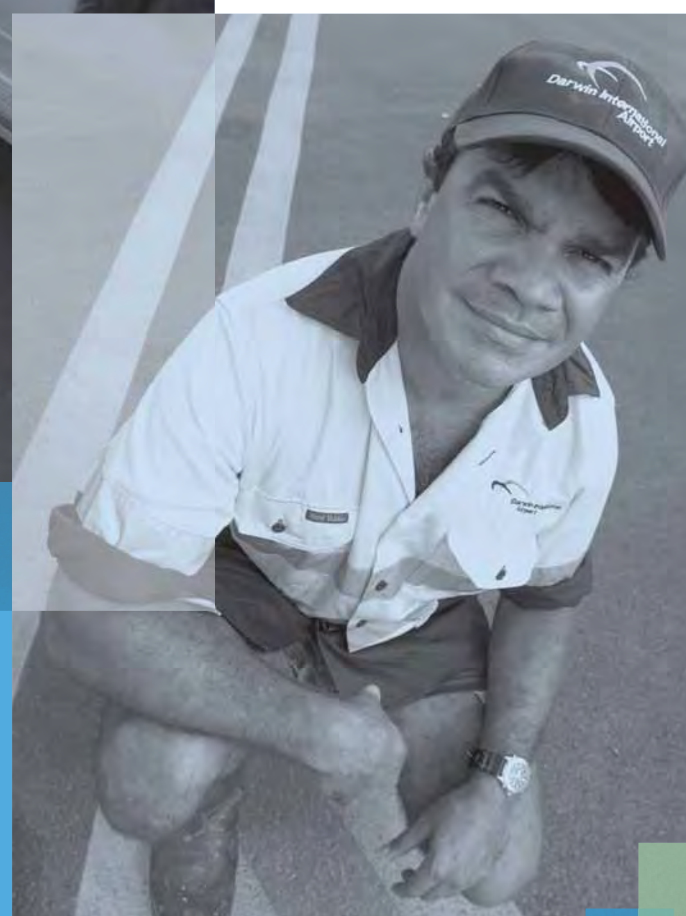
This year also heralded the cornerstone Bunnings development that will open up the Bagot Road Commercial Precinct. Together with construction of Osgood Drive and the associated intersection, this will unlock the underdeveloped commercial land at Darwin International Airport.

Our shareholders are predominantly Australian superannuation and investment funds and the continued investment in and returns generated from ADG will benefit many thousands of Australian retirees, many of them residents in the Northern Territory.

Once again on behalf of the ADG Board, I commend the Annual Report to you and congratulate the Executive Team and staff for delivering outstanding results in the 2007 financial year. Not only have the financial results been exemplary but a number of key initiatives and developments achieved during the year will help position the business well for a prosperous future.

Jill Rossouw
Chair and Director

“I like the fact that I’m involved in a variety of jobs which makes my job interesting and I don’t get tied down to a specific task all day everyday”


**PATRICK LONG** – For the last 14 months, Patrick has worked as a Groundsman for Darwin International Airport. “I assist in airport projects both airside and landside and I also help maintain landscapes and the maintenance of surrounding fixtures. I like the fact that I’m involved in a variety of jobs which makes my job interesting and I don’t get tied down to a specific task all day everyday”. Outside of work, Patrick enjoys getting out of town, camping, fishing and having BBQ’s for his mates and family at home.

"I think I have the best job in the Northern Territory"

The Airport Development Group (ADG) owns and operates three airports in the Northern Territory; Darwin International, Alice Springs and Tennant Creek Airports.

In our direct airport companies, we employ over 60 full time employees and contract many other personnel to provide key airport services. Together with our airline customers, we handled over 2.3 million arriving, departing and transit passengers. The combination of all of the on airport and off airport businesses that support them contribute over 1.5% of the GSP of the NT and employ over 1600 people. Our airports are critical infrastructure for the Northern Territory and we will continue to invest in them in order to play our key role in generating growth and opportunity for all Territorians.

Once again, we enjoyed an outstanding year from a financial perspective. Revenues grew by 32% and our EBITDA increased by 34%. This above plan performance was driven by stronger than anticipated passenger growth of 9% across all airports, a result substantially underpinned by 16% growth in the Darwin domestic market, international traffic (up 11%) and slender growth in the Alice Springs market (up 3%). It was also supported by key development initiatives that came to fruition during the year. These included the opening of the Bagot Road commercial precinct with the construction of Osgood Drive and the Bagot Road intersection and opening of the Bunnings Warehouse. We also made significant headway in renegotiating the cost sharing agreement with the Department of Defence in relation to Joint User Facilities, and after submitting compelling arguments to the

Productivity Commission, we were removed from the group of price monitored airports effective 1st July 2007.

In line with Federal Government directives, we continued to enhance our levels of security preparedness with the relatively smooth introduction of LAGS (Liquids, Aerosols and Gels Screening) for all international passengers and the implementation of 100% CBS (Checked Bags Screening) at Alice Springs Airport (operational from 1st August 2007). This project and its ancillary works consumed approximately $7 million at Alice Springs Airport and brings our total associated capital investment in aviation security across ADG to approximately $20 million. This represents a substantial sum in anyone's terms and when the additional ongoing operating costs are added to this cost, the increase in airport security charges and their resultant impact on airline ticket prices is substantial. The effect of this is to dampen demand for air travel to our regional destinations in Central Australia and the Top End. To date, despite representations from airlines, the Northern Territory Government and ourselves, we have not received any form of relief from the Federal Government.

My team have worked hard to deliver excellent financial results and deliver $31M of capital projects during the period and operate our facilities in a safe, secure and environmentally responsible manner for the benefit of all stakeholders.

We continued to support our community with the major recipient of our Corporate Giving Programme in the 2007 financial year being Camp Quality as well as Wildcare, the Salvation Army and other local community organisations and charities.

I would like to take this opportunity to thank my staff, our contractors, airline customers, border agencies and the travelling public who along with other key stakeholders, have contributed to our success and whose future efforts will determine the progress and prosperity of our airport business in the coming years.

Ian Kew

Chief Executive Officer

**IAN KEW** – Ian has held the position of Chief Executive Officer at Airport Development Group (based in Darwin) for the last seven years. He says, "Running ADG is a challenge, a privilege and I enjoy the diversity of the role. The impact of our business on all Territorians means that we all feel that we are making an important contribution to the future development of the Northern Territory. I like that this business is 24/7, however when I do get the chance to escape work, I enjoy spending time with my family, putting the finishing touches to the house we have built and learning how to fish in my recently acquired boat."

## 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 four shareholders comprising:

- Industry Funds Management (Nominees 2) Pty Ltd
- Hastings Funds Management (Australian Infrastructure Fund),
- Perpetual Investments
- AAHC 3 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

“My role is varied and I get to work outdoors, that’s what I like most about my job. No two days are ever the same.”

TREACY WHITE – Treacy has been working at Darwin International Airport for just on 16 months as an Operations Officer, more commonly known in airport lingo as “Safety 2”. “Generally my role is to provide support to the “Safety 1” Officer in the day-to-day running of the airport airside” says Treacy. This can include allocating parking bays to aircraft, issuing licences and permits for airside driving and vehicles, dealing with aircraft emergencies and dispersing with birds on the airfield. Outside of work, Treacy enjoys working on projects around her home, being outdoors, entertaining friends and cooking.

# COMPANY OVERVIEW


## DARWIN (DIA)

The Northern Territory covers 1,346,200 square kilometres of vast open spaces and is blessed with world famous natural attractions and resources. More than fifty nationalities make up the Territory's population which currently sits at just over 210,000 people.

Darwin, founded as Australia's most northerly harbour port in 1869, is the tropical capital of the Territory and is considered the "gateway" to Asia due to its close proximity to our Northern neighbours.

Darwin International Airport (DIA) is located within a short distance of the CBD and operates curfew free 24 hours a day. This allows airlines to maximise operating schedules and plan appropriate connecting services to other major centres which are subject to curfew.

Qantas, Jetstar, Garuda Indonesia, Royal Brunei, Airnorth, Tiger Airways, Virgin Blue and Skywest all currently serve the destination of Darwin.

Twenty three General Aviation (GA), two helicopter and one cargo operator have facilities at Darwin International 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.

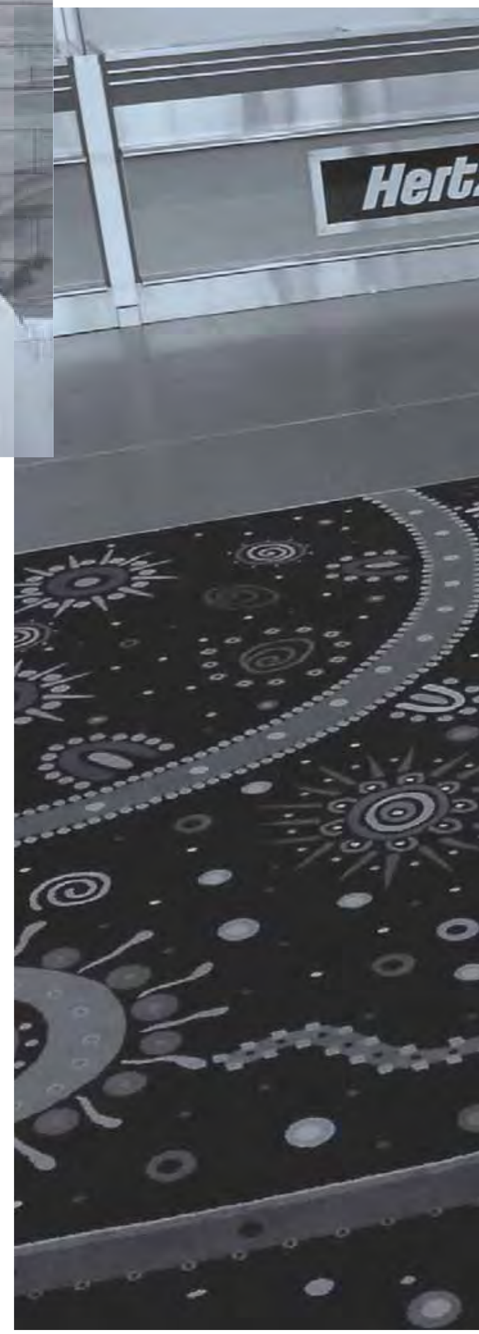
DIA is a Joint User Airport (JUA) with the RAAF who occupies a major military base and maintains the joint user areas, including runways and taxiways with DIA. The total area of 1527 hectares has been designated as airport land of which 311 area assigned to DIA and the remaining 1216 hectares to RAAF.

## ALICE SPRINGS (ASA)

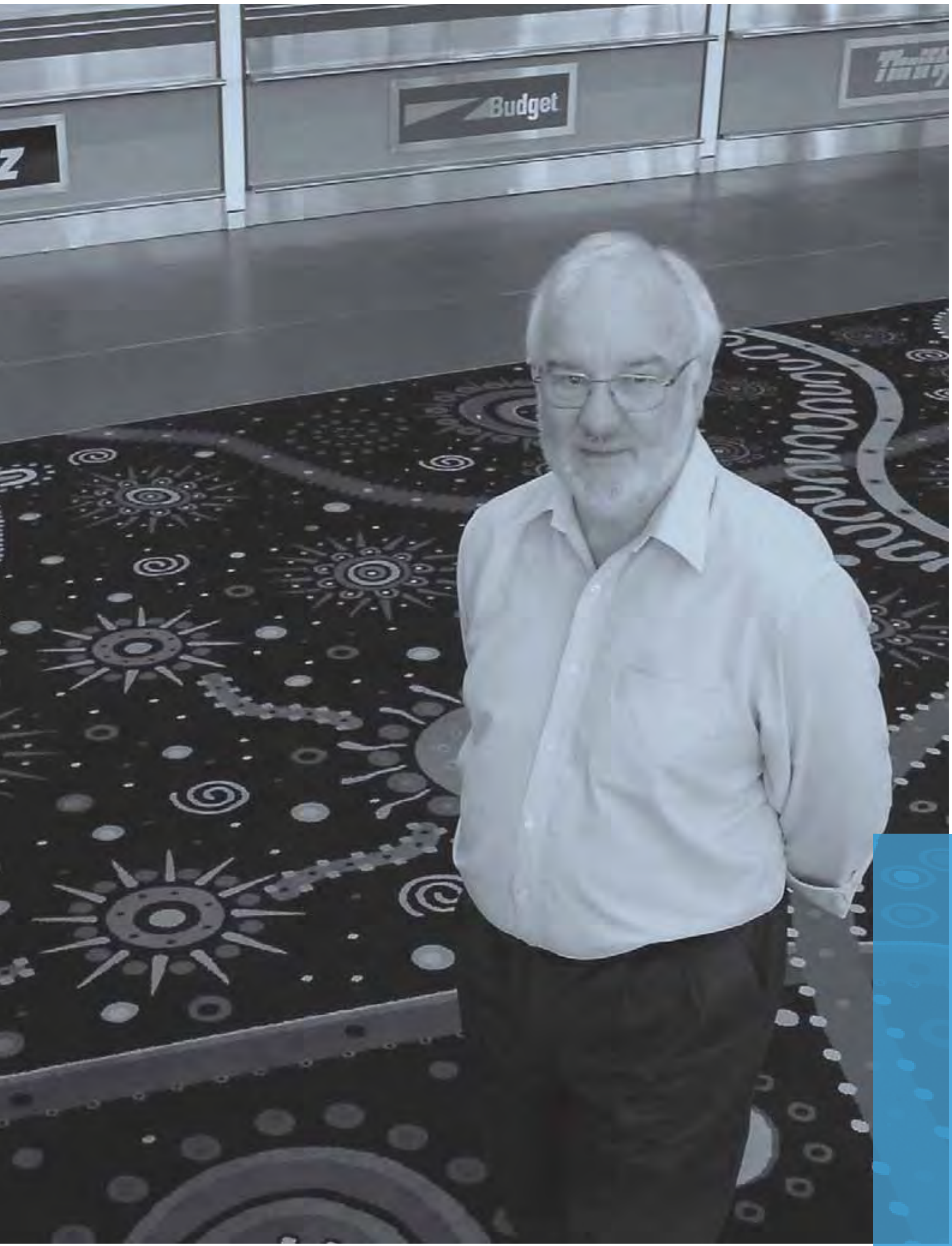
Located at "the heart" of Australia in the red centre, Alice Springs is a major tourist destination in the Northern Territory where a majority of passengers who pass through Alice Springs Airport are visitors to the region.

The town of Alice Springs plays an important role in the development of its surrounding areas and is dependent on air transport because of its remote location. The Airport also provides an important link to the Territory's remote communities.

Alice Springs Airport is located 14 kilometres from the township and occupies 3550 hectares. Of this area, 750 hectares are used directly for aeronautical purposes. The Airport has a two runway system, operates 24 hours a day curfew free and handles all forms of domestic and regional aviation services. Together with some military operations, the airport also caters for international charter flights.



“The rewards for me are the satisfaction of high community acceptance of the Airport as an essential part of the local infrastructure, especially being such a remote town”




TENNANT CREEK (TCA)

The township of Tennant Creek is located 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 approximately 6,000.

Tennant Creek Airport is located 1kilometre 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.

The terminal is available for RPT passengers and the main sealed apron can cater for one F28 Fellowship or BA146 or Gulfstream V, plus several smaller aircraft.

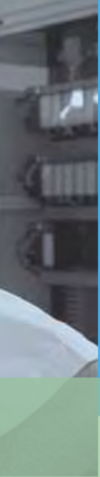
DON MCDONALD –
Don has been involved with airports and aviation for over 30 years as a professional engineer and a management executive, having held a wide variety of appointments around the country during this time. While Don feels he still has “a bit left in him” before retirement, he is often amused when reflecting on the fact that he now resides in “The Alice” where Eddie Connellan offered him his first job as a trainee pilot in 1965. Today, Don says “My job is wonderfully broad with a high level of responsibility, especially for a guy like me with a “hands on style”. When time permits, Don still enjoys touring around Central Australia but now is more often a visitor to Melbourne where his family and children live.

## ADG FINANCIAL RESULTS SUMMARY ($000S)

| FINANCIAL YEAR ENDING | 2007 ADG | 2006 ADG | 2005 ADG | 2004 ADG | 2003 ADG | 2002 ADG |
|---|---|---|---|---|---|---|
| REVENUE: | | | | | | |
| Aeronautical | 34,466 | 26,614 | 22,023 | 17,562 | 13,385 | 7,863 |
| Trading | 6,844 | 5,617 | 4,984 | 4,609 | 4,534 | 4,261 |
| Property | 6,673 | 5,435 | 4,514 | 4,080 | 3,821 | 4,651 |
| Other | 2,667 | 724 | 1,567 | 955 | 784 | 709 |
| Total (1) | 50,650 | 38,390 | 33,088 | 27,206 | 22,524 | 17,484 |
| EXPENDITURE: | | | | | | |
| Labour & staff overheads | 6,000 | 5,079 | 5,127 | 4,790 | 4,382 | 3,353 |
| Services & utilities | 4,350 | 2,417 | 2,284 | 2,134 | 1,887 | 1,664 |
| Administration | 4,629 | 3,884 | 3,524 | 3,182 | 2,702 | 2,044 |
| Maintenance | 2,176 | 1,865 | 2,108 | 1,537 | 1,424 | 990 |
| TSA expenses | 2,256 | 1,936 | 1,271 | 624 | 1,378 | 813 |
| Total | 19,411 | 15,181 | 14,314 | 12,267 | 11,773 | 8,864 |
| EBITDA: | 31,239 | 23,209 | 18,774 | 14,939 | 10,751 | 8,620 |
| Depreciation | 8,400 | 6,492 | 5,553 | 5,782 | 5,631 | 5,400 |
| Amortisation | 234 | 234 | 234 | 641 | 557 | 558 |
| EBIT: | 22,605 | 16,483 | 12,987 | 8,516 | 4,563 | 2,662 |
| Net borrowing costs | 9,406 | 7,937 | 6,361 | 5,773 | 6,797 | 5,400 |
| Abnormals / Income tax | (38,856) | 1,294 | 1,900 | (2,370) | 4,998 | (9) |
| NET PROFIT/(LOSS) AFTER TAX: | 52,055 | 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 2006/07 revenue from security charges was $5.64 million

"My main role is to maintain and repair electrical equipment on the airport grounds at Darwin"



**LUNAR ECLIPSE** – As a Technical Services Officer at Darwin International Airport for the last nine years, Lunar has become "part of the furniture" in our team. "My main role is to maintain and repair electrical equipment on the airport grounds at Darwin" says Lunar. A keen environmentalist, when not at work he is involved in local wildlife rescue, rehabilitation and environmental issues.

## FINANCIAL PERFORMANCE

ADG had another excellent financial year, ended 30 June 2007. ADG performance for the 2006/07 financial year again exceeded budget expectations with strong growth in traffic numbers and the returns on commercial and retail developments beginning to flow through. EBITDA for the year was $31.2M, an increase of 34% on the previous year.

Revenue increased 32% to $50.6M for the 2006/07 year. Strong growth in passenger numbers, particularly from domestic services, resulted in an increase in aeronautical revenue to $34.5M, up 30% on the previous year.

Trading revenue also grew strongly, increasing by 22% to $6.8M over the previous year's results. Increased passenger numbers contributed to the excellent results, particularly so in car rental revenue. JR Duty Free was awarded the Duty Free contract at Darwin International Airport during the year. The refurbishment of the duty free outlet and improved contract terms has also contributed to the positive result.

Property revenue continued to grow steadily with the returns from a number of commercial developments now being felt. Bunnings Warehouse opened in November 2006 – a 14,000 square metre facility – the first in Darwin International Airport's new commercial precinct.

Other income, including interest income also returned good results with good cash flow management during the year and strong returns on fixed to floating interest rate swap agreements.

Total expenses for the financial year were $19.4M.

Staffing costs, which make up approximately one-third of total ADG expenditure increased during the financial year as a result of a number of significant staff changes, increased staffing levels associated with additional capital expenditure and related projects as well as increased labour rates related to the growing Northern Territory economy.

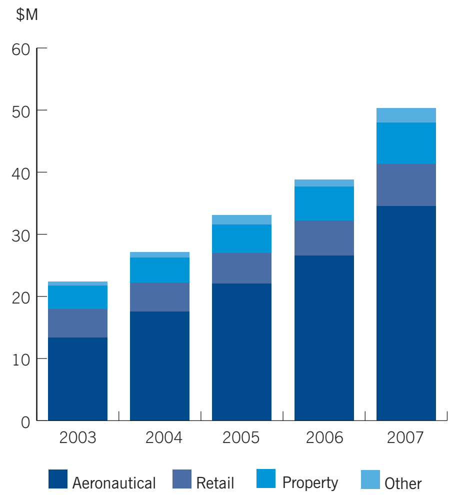
Services and utilities costs grew to $4.4M but were close to budget expectations. This is largely driven from the increase in usage from new commercial properties and tenants on airport, with a large portion of electricity and services costs being recharged to tenants based on their usage.

Maintenance expenditure also increased, but was in line with budget expectations coming in at $2.2M. Continued ageing of facilities across all of ADG's airports, as well as new commercial properties have necessitated an increase in ongoing scheduled and preventative maintenance regimes.

An increase in consulting, staff relocation and recruitment and travel costs have contributed to an increase in general administration expenditure. This has resulted primarily from changes to staff during the financial year and the use of consultants as required to cover temporary vacancies.

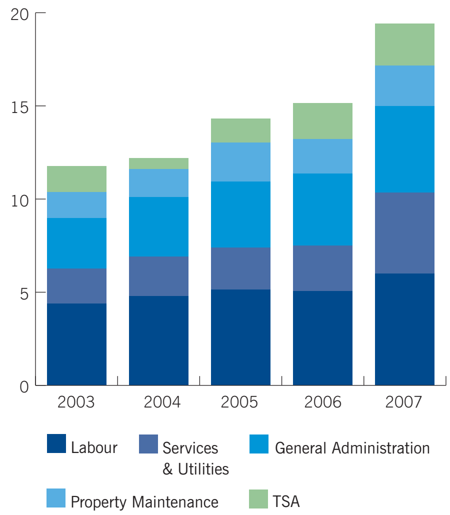
Costs associated with the technical services agreement (TSA) increased by 17% as a result of ADG's overall better than budget performance.

ADG Revenue by Source



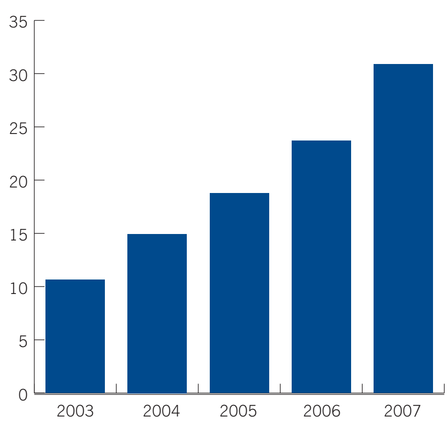

ADG Expenses by Source

$M




ADG EBITDA

$M




## OPERATIONAL PERFORMANCE OVERVIEW

The 2007 financial year saw a return to strong domestic growth at both Darwin and Alice Springs Airports on the back of a growing and robust Northern Territory economy.

Domestic passengers at Darwin International Airport grew by 16% to 1,282,000. Jetstar commenced services to Darwin in May 2006, replacing some Qantas services but offering additional frequency and capacity. A 12% increase in domestic seats over the previous year, resulting largely from the commencement of low cost carrier services, coupled with the use of larger aircraft by other existing airlines where necessary has largely driven the strong growth in domestic traffic.

At Alice Springs Airport, despite a steadying of traffic in prior years, 2007 saw a return to growth in passenger numbers of approximately 3% for the year. Further international direct charters from Japan operated through Alice Springs Airport during August 2006 and May 2007, the third successful year of operation of these charters.

"This is a job I enjoy walking into everyday. The position offers a wide variety of tasks - from general daily commitments to project management and applying my design skills with computer aided design software to the Aviation divisions across the ADG structure"

SIMON HATFIELD – Previously at Gold Coast Airport, Simon Hatfield has been employed with Alice Springs Airport for five months as the Manager of Operations. A challenging position in terms of location, Central Australia has been called home for Simon's beautiful wife Michelle and his son Oliver (aged 3) who is just as much an aircraft fanatic as his father.

Simon has been involved in the Aviation industry for six years having started overseas with the Dublin and Cork Airports with Aer Rianta in Ireland.
Airports and aviation are big part of both Simon's work and personal life. On the weekends, you'll find Simon hopping into a glider and soaring the skies over Alice Springs. "The thermals out here are the best in the country I've ever experienced".

International passengers at Darwin International Airport were 11% higher than the previous year, totaling 372,000 including transits. The growth in transit traffic through Darwin International Airport, is largely as a result of scheduling changes to the Cairns-Darwin-Singapore services operated by the Qantas Group. Jetstar Asia commenced operating this service through Darwin International Airport in October 2006, while Qantas operated additional flights to Singapore to cope with demand where necessary.

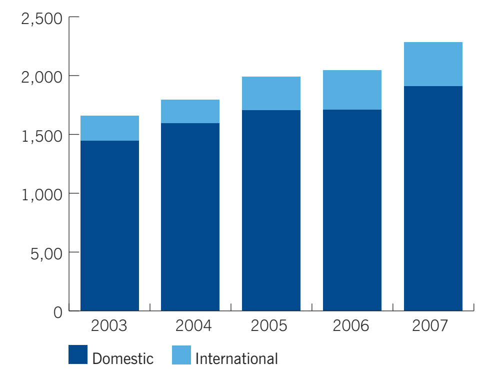
Tiger Airways continued to grow strongly and provide much needed capacity into the Top End's important South East Asian neighbour, Singapore, with the commencement of a fifth weekly Darwin-Singapore service from June 2007. Tiger Airways have announced they will commence domestic services at both Darwin International and Alice Springs Airports from December 2007, whilst increasing to daily Singapore services at the same time.

## ADG OPERATIONAL PERFORMANCE SUMMARY

| FINANCIAL YEAR ENDING | 2007 ADG | 2006 ADG | 2005 ADG | 2004 ADG | 2003 ADG | 2002 ADG |
|---|---|---|---|---|---|---|
| **DARWIN INTERNTIONAL AIRPORT** | | | | | | |
| PASSENGERS: | | | | | | |
| Domestic | 1,282,000 | 1,106,000 | 1,105,000 | 985,000 | 875,000 | 800,000 |
| International | 372,000 | 334,000 | 281,000 | 197,000 | 210,000 | 290,000 |
| Total | 1,654,000 | 1,440,000 | 1,386,000 | 1,182,000 | 1,085,000 | 1,090,000 |
| AIRCRAFT MOVEMENTS: | | | | | | |
| Regular Public Transport | 19,400 | 17,700 | 18,300 | 18,200 | 18,000 | 18,700 |
| General Aviation | 55,900 | 53,600 | 48,700 | 44,300 | 40,600 | 49,000 |
| Total | 75,300 | 71,300 | 67,000 | 62,500 | 58,600 | 67,700 |
| LANDED TONNES: | | | | | | |
| Total landed tonnes | 800,682 | 662,000 | 621,000 | 539,000 | 525,000 | 590,000 |
| **ALICE SPRINGS AIRPORT** | | | | | | |
| PASSENGERS: | | | | | | |
| Domestic / Int'l charters | 628,000 | 607,000 | 603,000 | 610,000 | 570,000 | 520,000 |
| Total | 628,000 | 607,000 | 603,000 | 610,000 | 570,000 | 520,000 |
| AIRCRAFT MOVEMENTS: | | | | | | |
| Regular Public Transport | 6,200 | 6,200 | 6,900 | 7,800 | 7,500 | 8,200 |
| General Aviation | 14,600 | 15,700 | 16,000 | 16,700 | 16,200 | 17,900 |
| Total | 20,800 | 21,900 | 22,900 | 24,500 | 23,700 | 26,100 |
| LANDED TONNES: | | | | | | |
| Total landed tonnes | 247,000 | 204,000 | 233,000 | 239,000 | 223,000 | 206,000 |
| **TENNANT CREEK AIRPORT** | | | | | | |
| AIRCRAFT MOVEMENTS: | | | | | | |
| Total aircraft movements | 2,800 | 3,300 | 3,000 | 2,200 | 2,800 | 3,600 |
| LANDED TONNES: | | | | | | |
| Total landed tonnes | 4,200 | 5,300 | 4,900 | 4,200 | 6,400 | 7,400 |

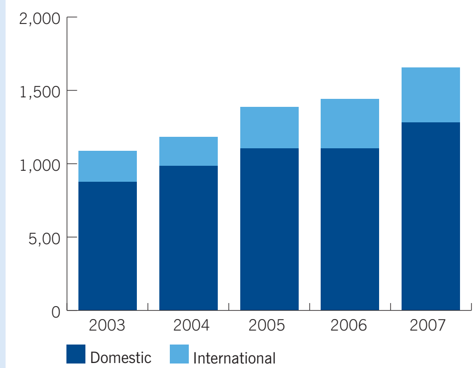
Total Passengers

000's



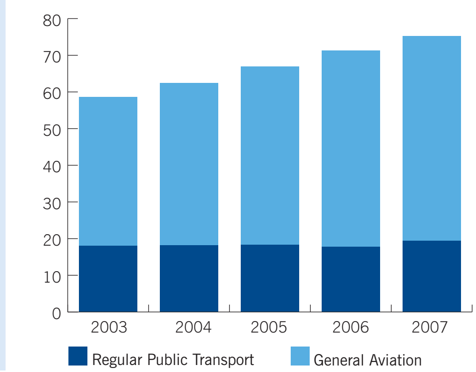

Darwin Airport Passengers

000's



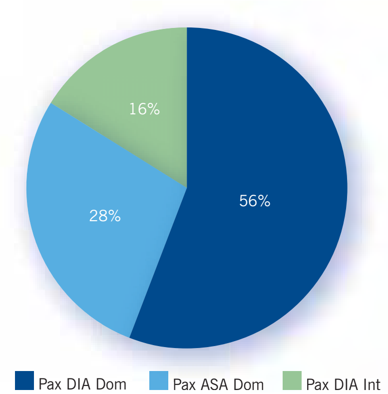

Darwin Aircraft Movements

000's



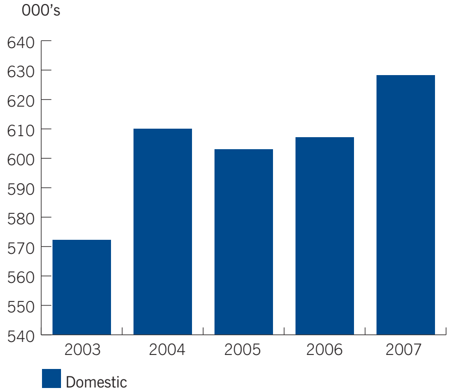

"The most enjoyable part of my job which I've held for the last two and a half years, is resolving payment issues with clients and achieving targets to contain debt to an acceptance level"

Passengers by Type 2006/07



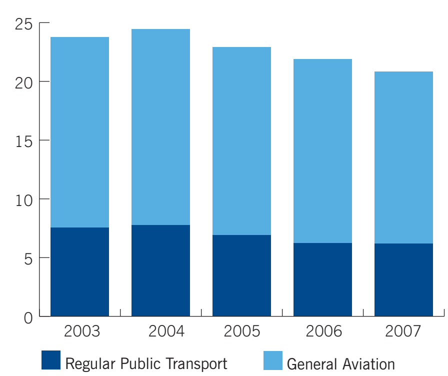

Alice Springs Airport Passengers

000's




Alice Springs Aircraft Movements

000's




**MAXINE HOWLETT** – "The most enjoyable part of my job which I've held for the last two and a half years, is resolving payment issues with clients and achieving targets to contain debt to an acceptable level" says Maxine. "Also, it's extremely satisfying to locate debtors who we've experienced some issues with and ultimately resolving the debts with them." Maxine's role of Client Services Manager is to collect aircraft landing charges, rental charges for the Commercial Property Portfolio, collection of payment for parking infringements and the disposal of motor vehicles abandoned at the airport. When not at work, Maxine enjoys horse riding, golf, painting and keeping fit at the gym.

# ROUTE DEVELOPMENT

The close partnership between Airport Development Group (ADG) and the Northern Territory Government has been critical in securing additional air services to the Northern Territory. Within ADG the dedicated role of Aviation Development Director is held by Jim Parashos, who is also a member of the Northern Territory Aviation Committee.

The key aspects of ADG's aviation development include:

- Identifying growth or underserved markets, and preparing business cases for improved air access;
- Working with carriers to increase passengers on existing services; and
- Enhancing air access to Alice Springs via scheduled domestic and international charter operations.

During the year Darwin International Airport moved a step closer to being the best "Northern Gateway" to Asia.

Tiger Airways announced increases in Singapore-Darwin services from five per week to daily, the launch of daily Melbourne-Darwin services, and entry into the Alice Springs market in the future. Tiger Airways has increased annual seat capacity into Darwin International Airport from 75,000 to 260,000 seats per annum since commencing services two years ago. For the first time, travellers between southern Australia and Asia will have the opportunity of a Darwin stopover. Tiger Airways services will further highlight the benefit of a Northern Australian gateway in Darwin.

Capacity and frequency increases were also recorded by Qantas Group carriers. Services from Cairns, Gove and Alice Springs changed to an all B717 operation, with higher frequencies on most sectors. Qantas also introduced increased capacity on Sydney services with new three times per week daylight services, and readily upgauged aircraft from B737 to B767 to meet necessary demand.

Jetstar's presence in Northern Australia grew, with the carrier replacing Australian Airlines services on the Cairns-Darwin-Singapore sector. Jetstar operates this sector daily, and has also boosted seat capacity on the Melbourne-Darwin sector.

Further growth is expected by Darwin-based carrier Airnorth, which received its first Embraer E-170 jet in 2007. Airnorth now operates twice weekly Darwin-Bali services, and delivery of more regional jets is set to create opportunities for new services to Darwin.

In conjunction with the Northern Territory Government, promotion of International Charters continues. Japan Airlines (JAL) operated a number of charter services in the last 12 months, and for the first time included both Alice Springs and Darwin passenger itineraries.

"I enjoy the fact that no two days are ever the same. In my role I work with the airlines and Government agencies to facilitate increased air services to our airport"

JIM PARASHOS – Working in the role of Aviation Development Director, Jim's been with Airport Development Group for just over a year. He says "I enjoy the fact that no two days are ever the same. In my role I work with the airlines and Government agencies to facilitate increased air services to our airports, which not only benefits our stakeholders, but also assists in positive tourism, trade and business outcomes for the NT." In his spare time Jim enjoys the odd game of golf, reading and getting out to see all that the NT has to offer. Since moving "up north", Jim's hosted nearly 100 friends and family from Melbourne who couldn't wait to visit beautiful Darwin in the dry season.

## DESTINATION ROUTES


ADG continues its ongoing commitment to providing safe and secure facilities at Darwin, Alice Springs and Tennant Creek Airports. This is being achieved through partnerships at both local and national levels with the Department of Transport and Regional Services (DoTaRS), airlines, law enforcement agencies, airport communities and other Government departments. Through this collaboration, ADG is able to maintain its obligations and remain well poised to meet any future challenges in today's dynamic security environment.

## NEW SECURITY MEASURES

### Unified Policing Model

Alice Springs and Darwin Airports now have a full complement of Australian Federal Police officers dedicated to Counter Terrorism First Response (CTFR) and the Australian Uniformed Police (AUP), who carry out a community policing role. These are led by dedicated Airport Police Commanders at each airport. This policing presence enables both a proactive and reactive approach to crimes and offences and is a welcome addition to both airport communities.

### Regional Airports Funding Program (RAFP)

Funding has been made available by the Australian Federal Government to improve security at Tennant Creek Airport. On completion of works, this airport will have improved fencing, increased lighting and closed circuit television.

### Enhanced Inspection

Additional inspection measures are to be implemented at both Darwin International and Alice Springs Airport. This bolstering of security will include the implementation of further inspection and screening points both within the terminals and airside. ADG continues to collaborate closely with DoTaRS to ensure these new requirements are successfully implemented.

### Checked Bag Screening

On 1 August 2007, eleven security designated airports in Australia were mandated to have checked bag screening in place for all domestic flights departing from terminals. Whilst Darwin International Airport had been successfully completing this requirement since 2005 (well in advance of regulatory requirements), a new $7 million facility was constructed at Alice Springs Airport. As a result of this, screening of 100% of all checked bags is now carried out at both airports.

### Liquids Aerosols and Gels

The Australian Government mandated security screening procedures to restrict the carriage of liquids, aerosols and gels onto international flights. Commencing on the 31 March 2007, these new security measures required Darwin International Airport to provide additional passenger screening infrastructure, as well as additional screening staff.

"I enjoy the challenges and opportunities in my new role and also learning so many new aspects of aviation and the business of security".

Emily Graham has worked with Chubb Security at Darwin International Airport for two years and was recently promoted to the role of Acting Chubb Aviation Manager. Emily's job involves ensuring compliance with National Aviation Regulations and database, rostering of staff and team management. Says Emily "I enjoy the challenges and opportunities in my new role and also learning so many new aspects of aviation and the business of security". In her spare time, Emily enjoys participating in outdoor sports and events with her six year old daughter.

## DARWIN INTERNATIONAL AIRPORT

The major project completed at Darwin International Airport during 2006/07 was the 14,000 square metre Bunnings Warehouse. The development includes more than 7,000 square metres of trading floor space, a garden centre, trade timber yard and more than 400 car bays. Bunnings is the anchor tenant and catalyst for development in the Business Park Precinct and was officially opened on 14 November 2006.

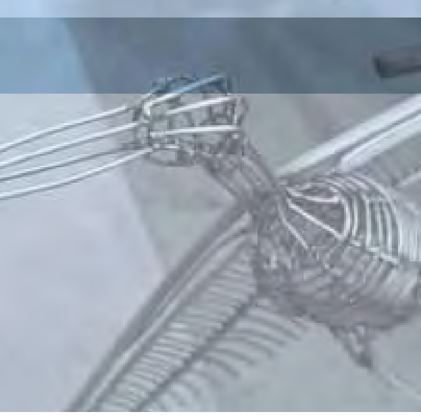
New road infrastructure connected to this project includes two new entry and exit points. One leads from Bagot Road and the other from McMillans Road near Sabine Road. Osgood Drive was also constructed which runs from Bagot Road through to Charles Eaton Drive and the Airport Terminal.

Construction was completed on Aerobridge 1 (the fourth aerobridge facility at Darwin International Airport) and major refurbishment of the three other aerobridges was also completed. The apron-drive aerobridge is the first of it's type in Australia and can be driven to multiple positions on the apron to accommodate various sizes of aircraft. To the credit of all staff and contractors involved in this project, the Airport continued to operate normally with no interference from construction.

Darwin Airport Terminal works recently completed included renovations to the terminal, car park and approach roads. Upgrades included a new entrance road to the public car park, a bigger and better designed car park, an extra boom gate and new undercover walkways to the terminal.

"I love the outdoor tropical lifestyle and the multicultural society of Darwin".

Techy Masero was born in Chile and came to live in Darwin in 1980's. Her works are now instantly recognisable in the Northern Territory as an integral part of outdoor festivals and community events. Techy works primarily in natural materials on a monumental scale and created the magnificent brolga pieces that now are mounted in front of the Airport Management Centre in Darwin.



The redesign also included the terminal building, access to the terminal, the separation of commercial passenger vehicles (taxis, private hire cars and buses), a dedicated undercover taxi rank, and public drop off and pick up areas.

Works on refurbishment of the Airport Management Centre building were completed.

Revenues grew above our expectations driven in Darwin by growth of 16% in domestic passenger numbers and 11% for international passengers.

## ALICE SPRINGS AIRPORT

### Projects

The major project carried out during 2006/07 at Alice Springs Airport was the implementation of the Federal Government's direction to install a Checked Baggage Screening system. As an ancillary part of this work, the check-in counters were rationalised and rebuilt to modern OH&S standards and in addition to this, the rental car and Tour Desks were relocated. The principal component of this project was the consolidation and replacement of the mechanical baggage handling system to a single common user arrangement that included an inline explosive trace detection x-ray.

Away from the terminal, the high voltage electrical distribution system was upgraded with new switch gear and the completion of a ring main loop for improved safety and redundancy. As well a new 100 space long term car park with an automated payment system was completed.

### Operations

Beyond the routine scheduled passenger flights, two successful rounds of "first port of call" international charter flights from Japan were undertaken. In addition to this, the Boeing Commercial Airplane Company undertook some further hot weather aircraft testing with a B777-300.

The Airport continued a successful program of preparing and participating in exercises including local airport emergency and terminal evacuation training, as well as major agency exercises arranged by the NT Government, including a three day airfield security exercise at Katherine Airport and a local "Tracks are for Trains" simulated disaster.

### Community

The Airport maintained its active contribution to community events with support for the Desert Festival, the Chamber of Commerce Business Expo, the biennial Masters Games and continuing involvement with CATIA the peak tourism body.

The Airport also assisted with "Welcome to Country" signage and the operation of the "Day of Difference" charity flight.

## TENNANT CREEK

Unfortunately this year saw the cessation of commercial commuter flights to Tennant Creek. DoTaRS conducted it's annual lease review of all ADG from Tennant Creek for the first time since privatisation.

# ENVIRONMENT

The Airport Development Group (ADG) has continued its commitment to operating with the highest respect for the environment. We have led by example with our ongoing responsible management of environmental issues through the implementation of the Environment Strategies for each airport. The key initiatives have been:

## SUSTAINABILITY

Climate change and sustainability are foremost in ADG's business.
The effort of our team has been focused on establishing a robust sustainability framework across the company in order to deliver improved sustainability outcomes in the future through new projects and improved operational efficiencies.

With this framework in place, we undertook a number of specific studies looking at opportunities in energy and water management – which led to the air-conditioning systems at both Darwin International and Alice Springs Airport terminals being reviewed. The review in Darwin resulted in the generation of a $CO^2$ monitoring system that allowed the terminal chiller system to respond to the level of occupancy in the building. It is projected that this system will reduce energy consumption of the terminal chiller system by approximately 14% per annum, with the associated reduction in carbon emissions.

An assessment of the potential for treating and recycling sewage water from the airport for re-use on site was undertaken. The study found that while onsite treatment would be possible, the construction and operation costs of such a project would not be economically feasible at this time. As a result, we were unable to proceed with the project immediately however further investigations are being carried out to generate a feasible business case for the water re-use project.

The commitment to sustainable operation was underwritten by the announcement in 2007 that Alice Springs had been named a "Solar City" under the Federal Government's Solar Cities Programme. As part of the town application, Alice Springs Airport has committed to undertake a feasibility study for solar energy generation at its terminal building with the potential for further government funding to the project should it prove feasible.

## CONSERVATION

During January 2007, over 700 new native tree seedlings were planted on Airport and Defence land banks of Rapid Creek. The purpose of this was to improve habitat quality in the Rapid Creek Environment Reserve and to stabilise the creek banks against erosion. Darwin International Airport has since been contracted by the Department of Defence to regularly maintain this area to allow the new trees the best chance of survival. This is the first such cooperative rehabilitation project undertaken in cooperation with Defence and is seen as a positive initiative towards effective cross-boundary coordination of land management issues.

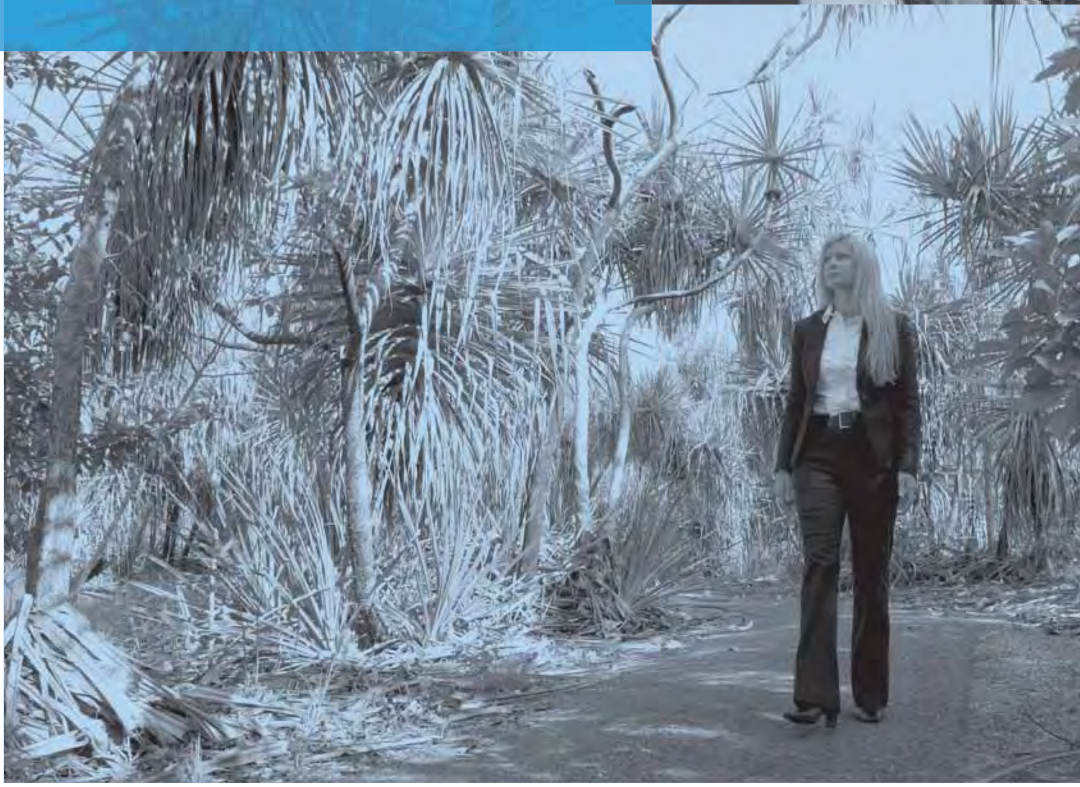
Also during 2006/07 the Department of Defence undertook a study into the design, functionality and repair options for the Rapid Creek Flood Mitigation Weir on the Darwin International Airport northern boundary. The study found that the weir was performing as designed in terms of its flood mitigation function, however the structure had been damaged by a series of high flow events since its construction in 1986. As a result, its condition is deteriorating and the energy dissipation area of the weir is no longer working at capacity to prevent high energy flows to the creek banks further downstream. A number of remedial options have been proposed by the study and these works will likely be undertaken by Defence within the next two years.

## MONITORING

Cooperative review of available stormwater monitoring data within the Rapid Creek catchment was carried out by NT Government Water Resources section in order to ascertain the ecological health of the creek system and to assess the suitability of the current monitoring in measuring the declared beneficial uses (i.e. for ecological value and human use). In this process Darwin International Airport contributed its historical monitoring data for use and analysis.


"I enjoy all aspects of my job – one minute I'm discussing hearing protection the next I'm working on studies of environmental impacts for a $100 million dollar project."

**JILL HOLDSWORTH** – A relatively new member of the team, Jill has been in her role of Health Safety & Environmental Systems Coordinator for around six months. "I'm passionate about the environment, health and safety and enjoy working in the aviation industry. This makes my role as developing and implementing best practices for safety and environment management even more rewarding. Outside of work, I enjoy spending time with my gorgeous husband, two wonderful boys and my pet German Shepherd. I play and coach basketball and am also an Operations Officer with the RAAF (active Reserves) posted with 92 Wing Detachment B.



Key findings from this review were:

- Given its urban setting, Rapid Creek is in good health;
- Grab sampling for chemical monitoring of creek and drains is of limited value as results may not be meaningfully related to trends in creek health;
- A monitoring programme based around sampling of biological indicators (freshwater macro invertebrates and fish) would provide the most meaningful tool for assessment of the declared ecological value of the Rapid Creek.

Based on the recommendations from this review, Darwin International Airport is now working with the range of land holders across the creek system – NT Government, Darwin City Council and the Department of Defence to participate in a coordinated monitoring program.

## STORMWATER RETENTION BASIN

Flood studies results of the western airfield land (and adjoining Darwin International Airport development land) indicated potential for erosion and flooding during powerful stormwater peak flow events off airport. To better manage stormwater runoff from the airfield, a permanent stormwater retention basin on Department of Defence land was constructed. The stormwater retention basin will reduce the effects of flooding by retaining and releasing water over a longer period and redistributing flows to prevent flooding.

Ornithological consultants were contracted to assess bird attraction potential and to provide management recommendations for the retention basin. The assessment indicated that due to the relatively short retention period of the water and the proposed vegetation management regime the new basin is unlikely to provide a source of bird attraction.

## RISK MANAGEMENT

ADG are managing its third party environmental risk through a web based tenant environmental management plan and auditing program. Resources continue to be allocated to this program to ensure uptake of the program by all key operators on airport.

"My most enjoyable task at the present is working on the Corporate Giving Programme"

## THE COMMUNITY

ADG management and staff continued their strong commitment and support for the community throughout 2006/07 through the Corporate Giving Programme and other fundraising initiatives.

Throughout the year, staff are encouraged to develop fundraising initiatives, manage the process and distribute funds to those charitable organisations nominated by ADG.

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, Variety Club NT and the RSPCA who all who benefited from this year's staff fundraising programmes.

As a result of the Darwin International Airport Charity Golf Day, staff and sponsors raised over $10,000 for the Variety the children's charity (NT). Thanks to the generosity of the many stakeholders and sponsors, together with a donation from the Corporate Giving Programme budget, many Top End kids will benefit directly as a result of the Variety Club's efforts.

Several staff from Darwin, Alice Springs and Tennant Creek Airports also participated in the "2007 Airport to Airport Bash", organised to benefit the Variety Children's Charity. Some of the staff that participated in the Bash have said that it was "a once in a lifetime opportunity" and that the feeling of meeting some of the kids on the Bash that had benefited from the Variety Club's efforts was, quite simply, "overwhelming".



"The smile on the faces of the children is the most rewarding part of being part of Variety."

**LAURA CAMPBELL** – Laura has worked at Reception at the Terminal Control Centre at Darwin International Airport (DIA) for just over 12 months. Laura assists with the daily running of the Terminal which include passenger and/or tenant enquiries, issuing visitor and ASIC cards and gives general assistance to the DIA team. Laura says her most enjoyable task at present is working on the Corporate Giving Programme. Outside of work, she loves playing indoor beach volleyball, the social aspect of living in Darwin and exploring our beautiful Territory with friends on road trips.

Kerry O'Brien has been a Board member for Variety the children's charity for the last eight years. "I have ventured off on a Variety Bash which is our biggest fundraiser, and have also been the Chairman of a couple of Variety Splash's" says Kerry. "For me, Variety the children's charity is all about lending a hand to the kids of the Northern Territory who are in need. Not only do I get to be part of the fabulous Variety 'family', I also have the good fortune of meeting some outstanding people whilst having lots of laughs along the way. In my spare time I play beach volleyball with a wonderful bunch of friends and every year we go interstate to play in one of the Masters tournaments. Variety the children's charity has been an inspiration to me and I would recommend to one and all to become involved, I'll guarantee it will be more than worth your while."

MS JILL ROSSOUW

Chair – resigned October 2007

Jill is an Investment Director at Industry Funds Management ("IFM"), having joined IFM in October 2004. Her responsibilities cover reviewing and managing infrastructure investments, and transaction origination and completion. Jill's role also involves the ongoing management and monitoring of investments in the Australian airport and residential aged care sectors.

Jill has 12 years' project finance advisory, corporate finance and private equity experience, most recently as an Associate Director with the PricewaterhouseCoopers Project Finance group, responsible for advising on business divestments and infrastructure projects at various stages in the procurement cycle. Prior to this, Jill worked in GE Capital's private equity arm where she gained experience in the evaluation, due diligence, investment and reporting in relation to investee companies.

Jill holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, a Master of Philosophy in Finance from University of Cambridge (UK) and Bachelor of Commerce from the University of Natal (South Africa).

Jill 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.

CHRIS BARLOW (CHAIR)

Chris Barlow has previously held the positions of Chief Executive Officer and Managing Director of Australia Pacific Airports Corporation and operator of Melbourne and Launceston Airports. He is also the new Chairman of the Board of the Melbourne Convention Visitors Bureau.

Mr Barlow was named Australian Aviation Personality of the Year at the 2006 Australian Airports Association Awards after 35 years in the aviation industry in Australia, Canada and the United Kingdom.

His time with the Australia Pacific Airports Corporation saw a five year, $500 million expansion and upgrade of Melbourne Airport.

Mr Barlow joined BAA (formerly the British Airports Authority) in 1969 as an Engineering Project Manager. He has a BSc (Honours) in Civil Engineering and is a member of the Institute of Civil Engineers and the Institute of Transport.

KYLE MANGINI

Kyle Mangini is the Head of Infrastructure and Specialised Funds with Industry Funds Management. Kyle has over sixteen years experience in investment banking, including senior roles with Credit Suisse and Swiss Bank.

He has extensive infrastructure experience both in Australia and overseas, including a recent role acting as an advisory director to the Flinders Group.

Whilst at Credit Suisse, Kyle played a significant role in the sale of Victoria's electricity and gas assets, with a divesture value in excess of $35 billion. At Swiss Bank, Kyle was the lead banker in the restructuring of the BOT system of Napacor (in the Philippines), one of the largest public/private BOT programmes in the world.

His relevant transaction experience includes the execution of mergers, acquisitions, divestitures, initial public offerings, public bond offerings, Rule 144A private placements, commercial bank facilities and derivatives. Kyle has a Double Major in Economics and Government from Wesleyan University, Middletown, Connecticut.

## EXECUTIVE MANAGEMENT TEAM

| | |
|---|---|
| Chief Executive Officer | Ian Kew |
| General Manager, Alice Springs & Tennant Creek Airport | Don McDonald |
| Aviation Development Director | Jim Parashos |
| GM Development, Operations & Maintenance | John Diggins |
| Operations Manager Darwin International Airport | Bob Calaby |
| Airport & Development Manager | Stuart Ainslie |
| Chief Financial Officer & Company Secretary | Tom Ganley |
| Director Property | Alan Revell |
| Health, Safety & Environment Systems Coordinator | Jill Holdsworth |
| HR Manager | Steve Marshall |
| Security Manager | Mark Hill |

PETER MCGREGOR

Peter McGregor joined Hastings in January 2006 and is a Director and Chief Operating Officer of the ASX listed Australian Infrastructure Fund. He is Chairman of Ports Pty Ltd (Port of Geelong) and a Director of Australia Pacific Airports Corporation (Melbourne and Launceston Airports), Queensland Airports Ltd (Gold Coast, Townsville and Mt Isa), and Airport Development Group (Darwin, Alice Springs and Tennant Creek Airports).

Prior to joining Hastings, Peter was an executive director and Head of Infrastructure & Utilities at the investment banking firm Goldman Sachs JBWere.

Peter has more than twenty years experience in the Australian investment banking industry. He has been involved in numerous major transactions in the infrastructure sector, including equity capital markets, mergers and acquisitions, and debt capital markets assignments.

ROBERT FORTE

Robert has been Portfolio Manager, Infrastructure since joining Perpetual Investments in February 2003. He is responsible for portfolio construction and acquisition activities within Perpetual's infrastructure business, including its valuation research, analysis and modelling.

Robert has over seventeen years industry experience and prior to joining Perpetual worked for National Asset Management's unlisted equity portfolio, where he conducted strategic portfolio analysis, acquisition, due diligence and a variety of quantitative and asset management services for client investors. Other roles within the National Australia Bank Group involved international strategy development for the combined National/MLC Wealth Management business and investment performance management for National's insurance and superannuation subsidiary. Prior to that he spent over three years with one of Australia's largest infrastructure investors, where he prepared analysis and reports for the Fund's Board and Investment Committee in respect to its infrastructure and private equity investments. Robert has broad experience in the infrastructure sector including transport, power, timberlands, waste and social infrastructure.

STUART CONDIE

(Resigned November 2007)

Stuart Condie is currently Planning & Surface Access Director at BAA Ltd and responsible for airport and local authority planning, noise and air quality, aerodrome safeguarding and surface access issues across the Group. He is also a non-executive Director of Heathrow Express Operating Company, Westralia Airports Corporation (and other companies associated with Perth Airport), BAA's Pension Fund and is a Board Member of the Brussels based, SESAR Joint Undertaking.

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


AIRPORT
Alice Springs
REPORT or
BROADCAST
B2
Budget

Airport Development Group

# FINANCIAL REPORT

2006/2007

CONTENTS

### 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 28.

### 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.

### Review of operations

The consolidated entity sustained an after tax profit of $52,055,058 for the reporting period ended 30 June 2007. This compares with the 2005/06 after tax profit of $7,252,208. Consolidated revenue, including unrealised gains on cash flow hedges and fair value adjustment on investment property, increased from $43,890,486 to $117,755,963 whilst total consolidated expenses including depreciation, finance costs and income tax increased from $36,638,278 to $65,700,905.

### Dividends

ADGPL has paid fully franked dividends of $11,350,000 during the year (2006: $15,900,000 unfranked). No other dividends have been paid, declared or recommended during the year.

### Significant Changes in the State of Affairs

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

### Matters Subsequent to the End of the Financial Year

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

- (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 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 28 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 67 employees as at 30 June 2007. (2006: 54 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 35.

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

Director

Director

Place: Melbourne

Date: 10 December 2007

merit partners
CHARTERED ACCOUNTANTS

Tel 61 8 8982 1444
Fax 61 8 8982 1400

Level 2
9-11 Cavenagh Street
Darwin NT 0800 Australia

GPO Box 3470
Darwin NT 0801 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 2007, 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

Darwin
Date: 10/12/2007

| | | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| Revenues from continuing operations | 2(b) | 56,291,170 | 43,413,623 | 12,958,524 | 13,112,554 |
| Salaries and employee benefits | | 5,999,867 | 5,078,654 | 0 | 0 |
| Maintenance expense | | 2,176,067 | 1,865,403 | 0 | 0 |
| Security and passenger screening charges | | 5,640,771 | 5,024,620 | 0 | 0 |
| Technical Services Agreement expense | | 2,255,877 | 1,936,467 | 0 | 0 |
| Services and utilities expense | | 4,350,346 | 2,416,784 | 0 | 0 |
| Other expenses | | 4,629,114 | 3,882,357 | 0 | 0 |
| EBITDA* | | 31,239,128 | 23,209,338 | 12,958,524 | 13,112,554 |
| Net gain on fair value of investment property | 2(d) | 59,002,055 | 0 | 0 | 0 |
| Other income | 2(c) | 2,462,738 | 476,863 | 0 | 0 |
| Depreciation and amortisation expense | 2(a) | (8,634,777) | (6,726,031) | 0 | 0 |
| Finance costs | 2(a) | (9,406,170) | (7,936,946) | 0 | 0 |
| Profit before income tax expense | | 74,662,974 | 9,023,224 | 12,958,524 | 13,112,554 |
| Income tax expense | 3 | (22,607,916) | (1,771,016) | (3,747,600) | (3,933,767) |
| Profit attributable to members of the entity | | 52,055,058 | 7,252,208 | 9,210,924 | 9,178,787 |

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

The accompanying notes form part of these financial statements.

# BALANCE SHEET

As at 30 June 2007

| | Note | CONSOLIDATED 2007 $ | CONSOLIDATED 2006 $ | COMPANY 2007 $ | COMPANY 2006 $ |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash and cash equivalents | 4 | 16,492,423 | 1,820,075 | 0 | 0 |
| Trade and other receivables | 5 | 6,667,090 | 5,211,109 | 0 | 0 |
| Prepaid rent | 6 | 65,880 | 65,880 | 0 | 0 |
| Other financial assets | 8 | 3,586,930 | 1,387,874 | 0 | 0 |
| Other | 7 | 572,307 | 108,911 | 0 | 0 |
| Total Current Assets | | 27,384,630 | 8,593,849 | 0 | 0 |
| **Non-Current Assets** | | | | | |
| Other financial assets | 9 | 0 | 0 | 95,766,535 | 99,641,669 |
| Prepaid rent | 10 | 5,863,327 | 5,929,207 | 0 | 0 |
| Investment properties | 11 | 119,906,400 | 47,132,956 | 0 | 0 |
| Investments | 12 | 0 | 0 | 24 | 24 |
| Infrastructure, plant and equipment | 13 | 137,789,419 | 129,005,750 | 0 | 0 |
| Other intangibles | 14 | 15,146,908 | 15,315,362 | 0 | 0 |
| Goodwill | 15 | 13,963,732 | 13,963,732 | 0 | 0 |
| Deferred tax assets | 3 | 989,599 | 865,899 | 0 | 0 |
| Total Non-Current Assets | | 293,659,385 | 212,212,906 | 95,766,559 | 99,641,693 |
| Total Assets | | 321,044,015 | 220,806,755 | 95,766,559 | 99,641,693 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 16 | 15,219,897 | 8,499,826 | 0 | 0 |
| Borrowings | 17 | 0 | 549,706 | 0 | 0 |
| Provisions | 18 | 1,110,194 | 1,246,439 | 0 | 0 |
| Income tax payable | | 2,385,897 | 3,031,369 | 2,385,897 | 3,031,369 |
| Total Current Liabilities | | 18,715,988 | 13,327,340 | 2,385,897 | 3,031,369 |
| **Non-Current Liabilities** | | | | | |
| Other payables | 3 | 0 | 0 | 3,007,103 | 4,097,689 |
| Borrowings | 19 | 158,676,899 | 122,453,794 | 0 | 0 |
| Provisions | 20 | 391,085 | 100,384 | 0 | 0 |
| Deferred tax liabilities | 3 | 43,543,618 | 25,650,188 | 0 | 0 |
| Total Non Current Liabilities | | 202,611,602 | 148,204,366 | 3,007,103 | 4,097,689 |
| Total Liabilities | | 221,327,590 | 161,531,706 | 5,393,000 | 7,129,058 |
| Net Assets | | 99,716,425 | 59,275,049 | 90,373,559 | 92,512,635 |
| **Equity** | | | | | |
| Contributed equity | 21 | 60,765,344 | 60,765,344 | 60,765,344 | 60,765,344 |
| Reserves | 22 | 0 | 263,682 | 0 | 0 |
| Retained profits / (losses) | | 38,951,081 | (1,753,977) | 29,608,215 | 31,747,291 |
| Total Equity | | 99,716,425 | 59,275,049 | 90,373,559 | 92,512,635 |

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2007

| | CONTRIBUTED EQUITY | RESERVES | RETAINED PROFITS (a) | TOTAL |
|---|---|---|---|---|
| **Company** | | | | |
| Balance at 1 July 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 |
| Dividends paid | 0 | 0 | (15,900,000) | (15,900,000) |
| Balance at 30 June 2006 | 60,765,344 | 0 | 31,747,291 | 92,512,635 |
| Profit attributable to the members of the entity | 0 | 0 | 9,210,924 | 9,210,924 |
| Dividends paid | 0 | 0 | (11,350,000) | (11,350,000) |
| Balance at 30 June 2007 | 60,765,344 | 0 | 29,608,215 | 90,373,559 |

| | CONTRIBUTED EQUITY | RESERVES | RETAINED PROFITS/ (LOSSES) (a) | TOTAL |
|---|---|---|---|---|
| **Consolidated** | | | | |
| Balance at 1 July 2005 | 60,765,344 | 263,682 | 6,893,815 | 67,922,841 |
| Profit attributable to the members of the entity | 0 | 0 | 7,252,208 | 7,252,208 |
| Dividends paid | 0 | 0 | (15,900,000) | (15,900,000) |
| Balance at 30 June 2006 | 60,765,344 | 263,682 | (1,753,977) | 59,275,049 |
| Profit attributable to the members of the entity | 0 | 0 | 52,055,058 | 52,055,058 |
| Movement in hedge reserve | 0 | (263,682) | 0 | (263,682) |
| Dividends paid | 0 | 0 | (11,350,000) | (11,350,000) |
| Balance at 30 June 2007 | 60,765,344 | 0 | 38,951,081 | 99,716,425 |

(a) Retained profits/(losses) includes unrealised gains not available for distribution to shareholders of $72,312,682 (2006: $72,312,682)

The accompanying notes form part of these financial statements

# CASH FLOW STATEMENT

For the financial year ended 30 June 2007

| | Note | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| **Cash Flows from Operating Activities** | | | | | |
| Receipts from customers | | 54,331,614 | 46,477,269 | 0 | 0 |
| Payments to suppliers and employees | | (21,345,278) | (19,999,696) | 0 | 0 |
| Interest received | | 408,767 | 328,984 | 12,958,524 | 13,112,554 |
| Finance costs | | (2,278,696) | (7,923,973) | 0 | 0 |
| Income tax paid | | (5,483,657) | (1,140,850) | (5,483,657) | (1,140,850) |
| Goods and Services Tax paid | | (3,182,791) | (2,249,995) | 0 | 0 |
| Net cash flows from operating activities | 29 | 22,449,959 | 15,491,739 | 7,474,867 | 11,971,704 |
| **Cash Flows from Investing Activities** | | | | | |
| Acquisition of infrastructure, plant and equipment | | (31,827,905) | (22,353,309) | 0 | 0 |
| Proceeds from sale of plant and equipment | | 0 | 46,018 | 0 | 0 |
| Advances from / (to) related parties | | 0 | 0 | 3,875,133 | 3,928,296 |
| Net cash flows (used in) / from investing activities | | (31,827,905) | (22,307,291) | 3,875,133 | 3,928,296 |
| **Cash Flows from Financing Activities** | | | | | |
| Proceeds from borrowings | | 35,950,000 | 135,000,000 | 0 | 0 |
| Repayment of borrowings | | 0 | (114,200,000) | 0 | 0 |
| Dividends paid | | (11,350,000) | (15,900,000) | (11,350,000) | (15,900,000) |
| Net cash flows from / (used in) financing activities | | 24,600,000 | 4,900,000 | (11,350,000) | (15,900,000) |
| Net increase / (decrease) in cash held | | 15,222,054 | (1,915,552) | 0 | 0 |
| Cash at beginning of the financial year | | 1,270,369 | 3,185,921 | 0 | 0 |
| Cash at end of the financial year | 29 | 16,492,423 | 1,270,369 | 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 prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of Airport Development Group Pty Ltd (ADGPL) and controlled entities and ADGPL as an individual parent entity.

The financial report complies with Australian Accounting Standards, which includes Australian equivalents to International Financial Reporting Standards (A-IFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 10 December 2007.

### (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 accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007 and the comparative information presented in these financial statements for the year ended 30 June 2006.

### (c) Income Tax

Income tax disclosed in the income statement comprises of current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at balance date, and any adjustments to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:
- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates and interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised of the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

*Tax consolidation legislation*

The head entity, Airport Development Group Pty Ltd, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone entity. The head entity recognises the current tax liabilities (or assets) and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from the controlled entities in the tax consolidated group.

Members of the tax consolidated group have entered into a tax funding arrangement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The amounts receivable or payable under the tax funding arrangement are due upon receipt of the funding advice from the head entity, which is issued as soon as practical after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables and payables.

### (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.

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 13.

*(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:

| | 2007 | 2006 |
|---|---|---|
| Runways Taxiways & Aprons | 2.5% - 15.0% | 2.5% - 15.0% |
| Roads & Car parks | 2.5% - 20.0% | 2.5% - 20.0% |
| Fences & Gates | 5.0% - 15.0% | 5.0% - 15.0% |
| Lighting & Visual Aids | 5.0% - 10.0% | 5.0% - 10.0% |
| Passenger Terminal | 2.13% - 33.3% | 2.13% - 33.3% |
| Buildings | 2.13% - 25.0% | 1.67% - 33.3% |
| Plant & Equipment | 4.0% - 33.3% | 4.0% - 33.3% |
| Vehicles | 15.0% - 20.0% | 15.0% - 20.0% |
| Computer Equipment | 15.0% - 33.3% | 15.0% - 33.3% |

*(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 property principally comprising of land, buildings and fixed plant and equipment, is held for long-term rental yields and is not occupied by the entity. The property interest held by the entity in land and buildings is by way of an operating lease. The entity has classified certain areas of land and buildings as being investment property being held by the entity only to earn rentals and not for being held for the use of supplying aeronautical services or administrative services.

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 33 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 rate 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.

*Superannuation commitments*

ADGPL contributes to Australian Super Superannuation Fund in respect of all its employees.

Australian Super 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.

### (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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

### (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 30 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 Interpretations

In the current year the consolidated entity has adopted all the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These did not result in any material financial impact on the financial statements of the consolidated entity.

The consolidated entity has elected to early adopt AASB 8 *"Operating Segments"* and accordingly segment information has not been disclosed.

At the date of authorisation of the financial report, the following standards and interpretations were on issue and considered applicable to the entity but not yet effective:

| TITLE | SUMMARY | IMPACT ON CONSOLIDATED ENTITY FINANCIAL REPORT | APPLICATION DATE OF STANDARD | APPLICATION DATE FOR COMPANY |
|---|---|---|---|---|
| AASB 7 *'Financial Instruments: Disclosures'* (and consequential amendments to other accounting standards resulting from its issue) | New standard replacing disclosure requirements of AASB 132. | Disclosure standard. No direct impact on the amounts included in the financial statements but will have some impact on financial instrument disclosures | 1/1/2007 | 1/7/2007 |
| AASB 101 *'Presentation of Financial Instruments'* – revised standard | Effect of release of AASB 7 | As above | 1/1/2007 | 1/7/2007 |
| AASB *Interpretation 10 'Interim Financial Reporting and Impairment'* | Prohibits reversal of certain impairment losses. AASB 136 'Impairment of Assets' to take precedence over AASB134 'Interim Financial Reporting' | No change to accounting policy required.<br><br>No expected impact. | 1/11/2006 | 1/7/2007 |
| AASB *Interpretation 12 'Service Concession Arrangements'* (and consequential amendments to other accounting standards resulting from its issue) | Clarifies how operators recognise the infrastructure as a financial asset and / or intangible asset – not as property, plant and equipment | Management have begun to assess the impact but believe that the entity does not fall within the scope of this standard. Will continue to monitor developments in this area. | 1/1/2008 | 1/7/2008 |

Other than the matters noted above, the directors anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of the consolidated entity. These standards and interpretations will be first applied in the financial report of the consolidated entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

### (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.

### (cc) Correction of errors

*Correction of error in recording tax effect intangible assets in the previous financial year*

Following a review of the intangible assets "lease premium" and "prepaid rent" the taxable temporary differences have been reclassified as a deferred tax liability. Additionally, amortisation of prepaid rent has been reclassified as non-deductible for income tax purposes. These errors had the effect of overstating the consolidated deferred tax asset by $408,465, understating the consolidated deferred tax liability by $6,393,134, and overstating the consolidated equity by $6,801,599 as at 30 June 2006.

The error also had the effect of overstating consolidated equity by $6,801,599 as at 30 June 2005.

The error has been corrected by restating each of the affected financial line items for the prior year as described above.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| **NOTE 2. REVENUES AND EXPENSES** | | | | |
| (a) Expenses | | | | |
| Interest | | | | |
| - Interest costs on external borrowings | 8,985,510 | 6,758,292 | 0 | 0 |
| - Amortisation of borrowing expenses | 273,101 | 1,078,071 | 0 | 0 |
| - Other borrowing expenses | 147,559 | 100,583 | 0 | 0 |
| Total finance costs | 9,406,170 | 7,936,946 | 0 | 0 |
| Depreciation | | | | |
| - Plant and equipment | 810,274 | 469,599 | 0 | 0 |
| - Infrastructure assets | 7,590,169 | 6,022,098 | 0 | 0 |
| | 8,400,443 | 6,491,697 | 0 | 0 |
| Amortisation | | | | |
| - Lease premium | 168,454 | 168,454 | 0 | 0 |
| - Prepaid rent | 65,880 | 65,880 | 0 | 0 |
| | 234,334 | 234,334 | 0 | 0 |
| Provision for doubtful debts expense | 242,935 | 181,381 | 0 | 0 |
| Superannuation contributions – defined contribution plan | 645,552 | 553,577 | 0 | 0 |
| Net (gain) / loss on disposal of plant and equipment | 0 | (4,110) | 0 | 0 |
| Security and passenger screening charges | 5,640,771 | 5,024,620 | 0 | 0 |
| (b) Revenue from continuing operations | | | | |
| *Rendering of Services* | | | | |
| - Aeronautical Charges | 34,466,273 | 26,613,554 | 0 | 0 |
| - Trading income | 6,844,124 | 5,616,545 | 0 | 0 |
| - Property | 6,672,640 | 5,435,120 | 0 | 0 |
| - Other | 7,899,366 | 5,415,310 | 0 | 0 |
| Total | 55,882,403 | 43,080,529 | 0 | 0 |
| Other revenue | | | | |
| - Interest | 408,767 | 328,984 | 12,958,524 | 13,112,554 |
| - Proceeds on sale of non current assets | 0 | 4,110 | 0 | 0 |
| Total revenue from continuing operations | 56,291,170 | 43,413,623 | 12,958,524 | 13,112,554 |
| (c) Other income | | | | |
| Unrealised gain on interest rate swap contract – cash flow hedge | 2,462,738 | 476,863 | 0 | 0 |
| (d) Net gain on fair value adjustment of investment property | 59,002,055 | 0 | 0 | 0 |
| **NOTE 3. INCOME TAX** | | | | |
| Income statement | | | | |
| *Current income tax* | | | | |
| Current tax expense | 4,978,147 | 2,626,254 | 3,887,557 | 3,933,767 |
| Adjustments in respect of current income tax of previous years | 276,404 | 0 | (139,957) | 0 |
| *Deferred income tax* | | | | |
| Deferred tax expense / (income) relating to the origination and reversal of temporary differences | 17,353,365 | (855,238) | 0 | 0 |
| Income tax expense reported in the income statement | 22,607,916 | 1,771,016 | 3,747,600 | 3,933,767 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| 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 before income tax | 74,662,974 | 9,023,224 | 12,958,524 | 13,112,554 |
| Prima facie tax at 30% | 22,398,891 | 2,706,967 | 3,887,557 | 3,933,767 |
| Adjustments in respect of current income tax of previous years | 276,404 | 0 | (139,957) | 0 |
| Fair value revaluations on property, plant & equipment | 0 | (943,933) | 0 | 0 |
| Expenditure not allowable for income tax purposes | 11,726 | 8,230 | 0 | 0 |
| Other | (79,105) | (248) | 0 | 0 |
| Income tax expense reported in the income statement | 22,607,916 | 1,771,016 | 3,747,600 | 3,933,767 |

| | BALANCE SHEET | | INCOME STATEMENT | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| Consolidated | | | | |
| *Deferred tax liabilities* | | | | |
| Intangibles | 4,544,072 | 4,594,608 | 50,536 | 50,536 |
| Property, plant & equipment | 36,117,518 | 19,250,520 | (16,866,997) | 689,465 |
| Prepayments | 27,188 | 6,534 | (20,652) | 335 |
| Deferred gains & losses on interest rate swap contracts | 1,076,079 | 0 | (659,717) | 0 |
| Other assets | 1,778,762 | 1,798,526 | 19,764 | 19,764 |
| | 43,543,618 | 25,650,188 | | |
| *Deferred tax assets:* | | | | |
| Property, plant & equipment | 169,203 | 171,155 | (1,953) | (1,637) |
| Payables | 127,683 | 33,843 | 102,747 | (3,240) |
| Provision for doubtful debts | 192,462 | 119,583 | 72,881 | 52,914 |
| Other provisions | 450,384 | 484,775 | (43,299) | 54,484 |
| Tax assets | 49,897 | 56,543 | (6,675) | (7,384) |
| | 989,599 | 865,899 | (17,353,365) | 855,238 |
| Company | | | | |
| *Deferred tax liabilities* | | | | |
| Intangibles | 0 | 0 | 0 | 0 |
| Property, plant & equipment | 0 | 0 | 0 | 0 |
| Prepayments | 0 | 0 | 0 | 0 |
| Deferred gains & losses on interest rate swap contracts | 0 | 0 | 0 | 0 |
| Other assets | 0 | 0 | 0 | 0 |
| | 0 | 0 | | |
| *Deferred tax assets:* | | | | |
| Property, plant & equipment | 0 | 0 | 0 | 0 |
| Payables | 0 | 0 | 0 | 0 |
| Provision for doubtful debts | 0 | 0 | 0 | 0 |
| Other provisions | 0 | 0 | 0 | 0 |
| Tax assets | 0 | 0 | 0 | 0 |
| | 0 | 0 | | |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| **Other** | | | | |
| Payable to related entities – loan under tax sharing arrangement | 0 | 0 | 3,007,103 | 4,097,689 |
| **NOTE 4. CASH AND EQUIVALENTS** | | | | |
| Cash balance comprises: | | | | |
| - Cash on hand | 42,236 | 16,536 | 0 | 0 |
| - Cash at bank | 16,450,187 | 1,803,539 | 0 | 0 |
| Closing cash balance | 16,492,423 | 1,820,075 | 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: | | | | |
| Cash on hand | 42,236 | 16,536 | 0 | 0 |
| Cash at bank | 16,450,187 | 1,803,539 | 0 | 0 |
| Bank Overdraft (note 17) | 0 | (549,706) | 0 | 0 |
| | 16,492,423 | 1,270,369 | 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 31.

| | | | | |
|---|---|---|---|---|
| **NOTE 5. TRADE AND OTHER RECEIVABLES** | | | | |
| Trade debtors | 6,954,507 | 5,609,717 | 0 | 0 |
| Other receivable | 354,126 | 0 | 0 | 0 |
| Less: Provision for doubtful debts | (641,543) | (398,608) | 0 | 0 |
| | 6,667,090 | 5,211,109 | 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.

| | | | | |
|---|---|---|---|---|
| **NOTE 6. PREPAID RENT (CURRENT)** | | | | |
| Prepaid rent | 65,880 | 65,880 | 0 | 0 |
| **NOTE 7. OTHER ASSETS (CURRENT)** | | | | |
| Prepayments | 572,307 | 108,911 | 0 | 0 |
| **NOTE 8. OTHER FINANCIAL ASSETS (CURRENT)** | | | | |
| Interest rate swap contracts – cash flow hedges | 3,586,930 | 1,387,874 | 0 | 0 |
| **NOTE 9. OTHER FINANCIAL ASSETS (NON-CURRENT)** | | | | |
| From related parties | 0 | 0 | 95,766,535 | 99,641,669 |
| **NOTE 10. PREPAID RENT (NON-CURRENT)** | | | | |
| Prepaid rent | 5,863,327 | 5,929,207 | 0 | 0 |
| Prepaid rent: | | | | |
| Carrying amount at the beginning of the year | 5,929,207 | 5,995,088 | 0 | 0 |
| Portion amortised during the year | (65,880) | (65,881) | 0 | 0 |
| Carrying amount at the end of the year | 5,863,327 | 5,929,207 | 0 | 0 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| **NOTE 11. INVESTMENT PROPERTIES** | | | | |
| Investment properties – at fair value | 119,906,400 | 47,132,956 | 0 | 0 |
| Investment properties: | | | | |
| Carrying amount at the beginning of the year | 47,132,956 | 42,076,400 | 0 | 0 |
| Additions | 12,596,389 | 5,056,556 | 0 | 0 |
| Transfer from infrastructure assets | 1,175,000 | 0 | 0 | 0 |
| Net gain from fair value adjustment | 59,002,055 | 0 | 0 | 0 |
| Carrying amount at the end of the year | 119,906,400 | 47,132,956 | 0 | 0 |
| Amounts recognised in the income statement for investment property | | | | |
| Rental income | 2,309,599 | 1,282,373 | 0 | 0 |
| Direct operating expenses from property that generate rental income | (33,779) | (54,581) | 0 | 0 |
| Net income | 2,275,820 | 1,227,792 | 0 | 0 |

Investment property was valued by RJ Gardiner CPV as at 30 June 2007. Mr Gardiner is an independent valuer who has extensive experience in valuing property for the entity. The value of investment property is measured on a fair value basis being the amounts for which property could be exchanged between knowledgeable, willing parties in an arm's length transaction.

In assessing the value of the investment property, wherever an observable active market price (and/or market income stream) for a land and/or building asset was identifiable, the "fair value" approach has been adopted primarily utilising the capitalisation of the estimated sustainable net annual market income.

*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 2007 $ | CONSOLIDATED 2006 $ | COMPANY 2007 $ | COMPANY 2006 $ |
|---|---|---|---|---|
| Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows: | | | | |
| Within one year: | 2,645,367 | 1,505,390 | 0 | 0 |
| Later than one year but no later than 5 years | 10,878,934 | 5,880,653 | 0 | 0 |
| Later than 5 years | 9,138,632 | 2,859,299 | 0 | 0 |
| | 22,662,933 | 10,245,342 | 0 | 0 |

*Contractual obligations*
Refer to note 27 for disclosure of any contractual obligations which include to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

| | CONSOLIDATED 2007 $ | CONSOLIDATED 2006 $ | COMPANY 2007 $ | COMPANY 2006 $ |
|---|---|---|---|---|
| **NOTE 12. INVESTMENTS** | | | | |
| Shares in subsidiary companies at cost | 0 | 0 | 24 | 24 |
| **NOTE 13. INFRASTRUCTURE, PLANT AND EQUIPMENT** | | | | |
| Plant and Equipment | | | | |
| Plant and equipment – at cost | 7,391,662 | 5,563,263 | 0 | 0 |
| Accumulated depreciation | (4,938,636) | (4,128,362) | 0 | 0 |
| Total Plant and Equipment | 2,453,026 | 1,434,901 | 0 | 0 |
| Infrastructure Assets | | | | |
| Infrastructure assets under lease – at cost | 141,671,913 | 131,159,731 | 0 | 0 |
| Accumulated depreciation | (26,042,857) | (20,816,337) | 0 | 0 |
| Total Infrastructure Assets | 115,629,056 | 110,343,394 | 0 | 0 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| Work in progress | 19,707,337 | 17,227,455 | 0 | 0 |
| Total Infrastructure, Plant and Equipment | 137,789,419 | 129,005,750 | 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: | 257,695,819 | 176,138,706 | 0 | 0 |
| (b) Reconciliations | | | | |
| Plant & Equipment | | | | |
| Carrying amount at the beginning | 1,434,901 | 1,435,551 | 0 | 0 |
| Additions | 374,361 | 441,781 | 0 | 0 |
| Transfer from work in progress | 1,454,038 | 48,967 | 0 | 0 |
| Disposals | 0 | (21,799) | 0 | 0 |
| Depreciation | (810,274) | (469,599) | 0 | 0 |
| Carrying amount at the end | 2,453,026 | 1,434,901 | 0 | 0 |
| Infrastructure Assets | | | | |
| Carrying amount at the beginning | 110,343,394 | 99,277,078 | 0 | 0 |
| Additions | 514,344 | 1,908,809 | 0 | 0 |
| Transfer from work in progress | 13,536,487 | 15,179,605 | 0 | 0 |
| Transfer to investment property | (1,175,000) | 0 | 0 | 0 |
| Depreciation | (7,590,169) | (6,022,098) | 0 | 0 |
| Carrying amount at the end | 115,629,056 | 110,343,394 | 0 | 0 |
| Work in progress | | | | |
| Carrying amount at the beginning | 17,227,455 | 17,299,517 | 0 | 0 |
| Plant and equipment additions | 560,003 | 930,324 | 0 | 0 |
| Infrastructure additions | 29,506,793 | 14,226,186 | 0 | 0 |
| Transfer to investment property | (12,596,389) | 0 | 0 | 0 |
| Transfers to plant and equipment | (1,454,038) | (48,967) | 0 | 0 |
| Transfers to infrastructure | (13,536,487) | (15,179,605) | 0 | 0 |
| Carrying amount at the end | 19,707,337 | 17,227,455 | 0 | 0 |
| NOTE 14. OTHER INTANGIBLES | | | | |
| Lease premium | 16,676,910 | 16,676,910 | 0 | 0 |
| Provision for amortisation | (1,530,002) | (1,361,548) | 0 | 0 |
| | 15,146,908 | 15,315,362 | 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 | (1,361,548) | (1,193,095) | 0 | 0 |
| Amortisation charged during the year | (168,454) | (168,453) | 0 | 0 |
| Balance at the end of the financial year | (1,530,002) | (1,361,548) | 0 | 0 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| Net book value | | | | |
| At the beginning of the financial year | 15,315,362 | 15,483,815 | 0 | 0 |
| At the end of the financial year | 15,146,908 | 15,315,362 | 0 | 0 |
| | | | | |
| NOTE 15. GOODWILL | | | | |
| Gross carrying amount | | | | |
| Balance at the beginning of the financial year | 13,963,732 | 13,963,732 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Balance at end of financial year | 13,963,732 | 13,963,732 | 0 | 0 |
| 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 | 13,963,732 | 13,963,732 | 0 | 0 |
| At the end of the financial year | 13,963,732 | 13,963,732 | 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 | |
|---|---|---|
| | 2007 $ | 2006 $ |
| Alice Springs Airport | 3,072,207 | 3,072,207 |
| Darwin International Airport | 10,891,525 | 10,891,525 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| **NOTE 16. TRADE AND OTHER PAYABLES (CURRENT)** | | | | |
| Trade creditors | 1,963,016 | 2,047,960 | 0 | 0 |
| Interest accrued | 6,894,259 | 39,885 | 0 | 0 |
| Other creditors | 5,989,572 | 6,182,435 | 0 | 0 |
| Retentions and deposits held | 214,133 | 78,794 | 0 | 0 |
| Payments received in advance | 158,917 | 150,752 | 0 | 0 |
| | 15,219,897 | 8,499,826 | 0 | 0 |

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

| | CONSOLIDATED 2007 $ | CONSOLIDATED 2006 $ | COMPANY 2007 $ | COMPANY 2006 $ |
|---|---|---|---|---|
| **NOTE 17. BORROWINGS (CURRENT)** | | | | |
| Borrowings secured by fixed charge | | | | |
| - Bank Overdrafts | 0 | 549,706 | 0 | 0 |

The consolidated entity has access to a bank overdraft facility amounting to $3,000,000 (2006: $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.

| | CONSOLIDATED 2007 $ | CONSOLIDATED 2006 $ | COMPANY 2007 $ | COMPANY 2006 $ |
|---|---|---|---|---|
| **NOTE 18. PROVISIONS (CURRENT)** | | | | |
| Employee Benefits | | | | |
| - Annual Leave | 557,873 | 578,955 | 0 | 0 |
| - Long Service Leave | 516,884 | 469,540 | 0 | 0 |
| - Other employee benefits | 0 | 160,650 | 0 | 0 |
| Provision for fringe benefits tax | 35,437 | 37,294 | 0 | 0 |
| | 1,110,194 | 1,246,439 | 0 | 0 |
| Annual leave: | | | | |
| Opening balance at beginning of year | 578,955 | 522,358 | 0 | 0 |
| Provisions raised during the year | 354,724 | 392,019 | 0 | 0 |
| Amounts utilised | (375,806) | (335,422) | 0 | 0 |
| Balance at end of the year | 557,873 | 578,955 | 0 | 0 |
| Long service leave: | | | | |
| Opening balance at beginning of year | 469,540 | 378,077 | 0 | 0 |
| Provisions raised during the year | 83,146 | 69,648 | 0 | 0 |
| Portion transferred from non-current | 0 | 43,542 | 0 | 0 |
| Amounts utilised | (35,802) | (21,727) | 0 | 0 |
| Balance at end of the year | 516,884 | 469,540 | 0 | 0 |
| Other employee benefits: | | | | |
| Opening balance at beginning of year | 160,650 | 0 | 0 | 0 |
| Provisions raised during the year | 0 | 74,254 | 0 | 0 |
| Portion transferred from non-current | 0 | 86,396 | 0 | 0 |
| Amounts utilised | (160,650) | 0 | 0 | 0 |
| Balance at end of the year | 0 | 160,650 | 0 | 0 |
| Fringe benefits tax: | | | | |
| Opening balance at beginning of year | 37,294 | 32,700 | 0 | 0 |
| Provisions raised during the year | 123,870 | 103,178 | 0 | 0 |
| Amounts utilised | (125,727) | (98,584) | 0 | 0 |
| Balance at end of the year | 35,437 | 37,294 | 0 | 0 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| **NOTE 19. BORROWINGS (NON-CURRENT)** | | | | |
| Borrowings secured by fixed charge: | | | | |
| - Senior debt | 158,950,000 | 123,000,000 | 0 | 0 |
| - Unamortised finance costs | (273,101) | (546,206) | 0 | 0 |
| Total | 158,676,899 | 122,453,794 | 0 | 0 |
| Finance facilities | | | | |
| Bank overdraft facility (a) | 3,000,000 | 1,000,000 | 0 | 0 |
| Amount of overdraft facility used | 0 | 549,706 | 0 | 0 |
| Senior debt facility (b) | 220,700,000 | 220,700,000 | 0 | 0 |
| Amount of senior debt facility used | 158,950,000 | 123,000,000 | 0 | 0 |

(a) The consolidated entity has access to a bank overdraft amounting to $3,000,000 (2006: $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) The consolidated entity has a $220.7M senior debt facility which is due for repayment on 6 January 2009. The facility 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 6.95%. 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. The facility is governed by covenants including interest cover ratio, leverage ratio and a hedging strategy.

| | CONSOLIDATED 2007 $ | CONSOLIDATED 2006 $ | COMPANY 2007 $ | COMPANY 2006 $ |
|---|---|---|---|---|
| **NOTE 20. PROVISIONS (NON-CURRENT)** | | | | |
| Long Service leave | 111,085 | 100,384 | 0 | 0 |
| Other employee benefits | 280,000 | 0 | 0 | 0 |
| | 391,085 | 100,384 | 0 | 0 |
| Long service leave: | | | | |
| Opening balance at beginning of year | 100,384 | 143,926 | 0 | 0 |
| Provisions raised during the year | 10,701 | 0 | 0 | 0 |
| Transfer to current portion | 0 | (43,542) | 0 | 0 |
| Balance at end of the year | 111,085 | 100,384 | 0 | 0 |
| Other employee benefits: | | | | |
| Opening balance at beginning of year | 0 | 0 | 0 | 0 |
| Provisions raised during the year | 280,000 | 0 | 0 | 0 |
| Balance at end of the year | 280,000 | 0 | 0 | 0 |
| **NOTE 21. CONTRIBUTED EQUITY** | | | | |
| Issued and paid up capital | | | | |
| 40,765,344 ordinary shares of $1 each fully paid and issued on incorporation. (2006: $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 (2006: 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 22. RESERVES** | | | | |
| Hedging reserve – cash flow hedge | 0 | 263,682 | 0 | 0 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| **Movements:** | | | | |
| Balance at the beginning of the year | 263,682 | 263,682 | 0 | 0 |
| Movements | (263,682) | 0 | 0 | 0 |
| Balance at the end of the year | 0 | 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).

## NOTE 23. DIVIDENDS PAID

| | | | | |
|---|---|---|---|---|
| **(a) Dividends declared and paid during the year:** | | | | |
| Dividends on ordinary shares – fully franked | 11,350,000 | 0 | 11,350,000 | 0 |
| Dividend per ordinary share | 27.8 cents | 0.0 cents | 27.8 cents | 0.0 cents |
| Dividends on ordinary shares – unfranked | 0 | 15,900,000 | 0 | 15,900,000 |
| Dividend per ordinary share | 0.0 cents | 39.0 cents | 0.0 cents | 39.0 cents |

At the date of issue of this report no other dividends were proposed or declared during the period. All dividends paid and declared during the period have been recognised in the financial statements. The directors have not yet made a recommendation for any further dividend for the year ended 30 June 2007.

| | | | | |
|---|---|---|---|---|
| **(b) Franking account balance** | | | | |
| Franking account balance as at the end of the financial year at 30% (2006: 30%) | 1,760,177 | 1,140,850 | 1,760,177 | 1,140,850 |
| Franking credits that will arise from the payment of income tax payable as at the reporting date | 2,385,897 | 3,031,369 | 2,385,897 | 3,031,369 |
| Net franking credits available | 4,146,074 | 4,172,219 | 4,146,074 | 4,172,219 |

## NOTE 24. REMUNERATION OF DIRECTORS

| | | | | |
|---|---|---|---|---|
| Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party. | 0 | 0 | 0 | 0 |

## NOTE 25. KEY MANAGEMENT COMPENSATION INFORMATION

### (a) Directors

The names of persons who were Directors of ADGPL at any time during the financial year are noted in note 28. Information on remuneration of directors is noted in note 24.

### (b) 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 (resigned 5 April 2007)
John Diggins – General Manager Development, Operations and Maintenance
Jim Parashos – Aviation Development Director (commenced 4 December 2006)
Daniel Richards – Environment Co-ordinator (resigned 22 June 2007)
Sarah Dewar – Commercial Projects / Finance Director
Peter Roberts – Aviation Development Director (resigned 2 May 2007)
Jill Holdsworth – Health, Safety & Environment Management Systems Coordinator (commenced 25 June 2007)
Donald McDonald – General Manager Alice Springs and Tennant Creek Airport

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| (c) Total compensation paid to key management personnel for the financial year | | | | |
| Short term employee benefits | 1,823,209 | 1,363,046 | 0 | 0 |
| Superannuation contributions | 190,395 | 149,937 | 0 | 0 |
| Non cash benefits | 0 | 99,700 | 0 | 0 |
| Termination benefits | 0 | 5,000 | 0 | 0 |
| | 2,013,604 | 1,617,683 | 0 | 0 |
| **NOTE 26. 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 | 61,390 | 40,721 | 0 | 0 |
| IFRS review | 78,265 | 0 | 0 | 0 |
| Tax compliance and advice | 31,714 | 18,400 | 0 | 0 |
| Other advice and services | 21,010 | 18,460 | 0 | 0 |
| | 192,379 | 77,581 | 0 | 0 |
| **NOTE 27. COMMITMENTS AND CONTINGENCIES** | | | | |
| (a) Capital commitments | | | | |
| Commitments for the acquisition of investment property, infrastructure, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable: | | | | |
| Not later than one year | 2,615,320 | 7,853,300 | 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. Both DIAPL and ASAPL have exceeded their capital expenditure commitments to 30 June 2007 and therefore met their development obligations as required on the acquisition of the airport leases.

### (b) Legal claim

Subsequent to year end, a claim has been made against ADGPL's wholly owned subsidiary, DIAPL, to recover monies paid by a creditor to DIAPL where the creditor has since been placed in liquidation. Payments were made to DIAPL as an unsecured creditor prior to liquidation, in settlement of monies owed to DIAPL. At the date of this report, legal proceedings had not commenced against DIAPL, and should they do and the action be successful the estimated liability will be $150,000. DIAPL intend to defend the claim and believe there are reasonable grounds to do so. Accordingly no provision for any liability has been recognised in the financial statements.

## NOTE 28. RELATED PARTIES

### Directors

The directors of ADGPL during the financial year were:

| NAME | APPOINTED | RESIGNED |
|---|---|---|
| Mr Christopher Robert Wade | 21 February 2003 | 8 June 2007 |
| Mr Dominic James Helmsley | 1 November 2003 | 31 August 2006 |
| Mr Brett John Lazarides (Chair - RAAC) | 30 January 2004 | 14 December 2006 |
| Mr Peter Nolan Taylor | 13 February 2006 | 16 August 2006 |
| Ms Jill Louise Rossouw (Chair) | 24 April 2006 | 28 September 2007 |
| Ms Dunia Mary Wright | 24 April 2006 | 30 May 2007 |
| Mr Stuart James Condie | 31 August 2006 | 8 November 2007 |
| Mr Christopher Brian Woodruff (alternate director for Stuart Condie) | 1 November 2006 | 18 July 2007 |

| NAME | APPOINTED | RESIGNED |
|---|---|---|
| Mr Damian Moloney (alternate director for Dunia Wright) | 5 December 2006 | 30 May 2007 |
| Mr Robert Forte | 14 December 2006 | |
| Mr Emilio Gonzales (alternate director for Robert Forte) | 14 December 2006 | 1 November 2007 |
| Mr Kyle Anthony Mangini | 30 May 2007 | |
| Ms Dunia Mary Wright (alternate director for Kyle Mangini and Jill Rossouw) | 30 May 2007 | 28 September 2007 |
| Mr Peter James McGregor | 8 June 2007 | |
| Mr Juan Aleman Bullon (alternate director for Stuart Condie) | 24 July 2007 | 7 November 2007 |
| Mr Chris Barlow (Chair) | 2 October 2007 | |
| Mr Roger Lloyd (alternate director for Robert Forte) | 1 November 2007 | |

### Remuneration

Information on remuneration of directors is disclosed in note 25.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| **Wholly-owned group transactions** | | | | |
| Interest received and receivable | 0 | 0 | 12,958,524 | 13,112,554 |
| Aggregate amounts receivable | 0 | 0 | 95,766,535 | 99,641,669 |
| Aggregate amounts payable | 0 | 0 | 3,007,103 | 4,097,689 |
| **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. The agreement was terminated in November 2007. | | | | |
| Total expenditure | 2,255,877 | 1,936,467 | 0 | 0 |

### NOTE 29. STATEMENT OF CASH FLOWS

#### (a) Reconciliation of profit after tax to net cash flows from operations

| | CONSOLIDATED 2007 $ | CONSOLIDATED 2006 $ | COMPANY 2007 $ | COMPANY 2006 $ |
|---|---|---|---|---|
| Operating profit after income tax | 52,055,058 | 7,252,208 | 9,210,924 | 9,178,787 |
| Depreciation and amortisation | 8,634,777 | 6,726,031 | 0 | 0 |
| Unrealised gain on interest rate swap | (2,462,738) | (476,863) | 0 | 0 |
| Fair value adjustment to investment property | (59,002,055) | 0 | 0 | 0 |
| Net profit on sale of property, plant and equipment | 0 | (4,110) | 0 | 0 |
| Change in operating assets and liabilities | | | | |
| Other provisions | 0 | 4,594 | 0 | 0 |
| Provision for employee benefits | 154,455 | 178,772 | 0 | 0 |
| Trade and other receivables | (1,455,981) | (592,765) | 0 | 0 |
| Current tax asset | 0 | 0 | 0 | 0 |
| Prepayments | (463,396) | 39,185 | 0 | 0 |
| Trade and other creditors and accruals | 7,865,581 | 1,734,518 | 0 | 0 |
| Other payables | 0 | 0 | (1,090,585) | 383,094 |
| Deferred tax liabilities | 17,893,430 | (1,633,733) | 0 | 22,075 |
| Income tax payable | (645,472) | 2,387,748 | (645,472) | 2,387,748 |
| Deferred tax asset | (123,700) | (123,846) | 0 | 0 |
| **Net cash flow from operating activities** | 22,449,959 | 15,491,739 | 7,474,867 | 11,971,704 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| (b) Reconciliation of Cash | | | | |
| Cash on hand | 42,236 | 16,563 | 0 | 0 |
| Cash at bank | 16,450,187 | 1,803,512 | 0 | 0 |
| Bank Overdraft | 0 | (549,706) | 0 | 0 |
| | 16,492,423 | 1,270,369 | 0 | 0 |

## NOTE 30. 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 | |
|---|---|---|---|---|
| | 2007 % | 2006 % | 2007 $ | 2006 $ |
| 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 31. 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.

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 risk, 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. The consolidated entity has entered into fixed to floating swap contracts.

*Interest rate swap contracts*

Under interest rate swap contracts, 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.

At 30 June 2007 the consolidated entity had the following interest rate swap agreements (pay fixed, receive floating) in place:

| NOTIONAL PRINCIPAL | | RECEIVE INTEREST RATE (FLOATING) | | PAY INTEREST RATE (FIXED) | | FAIR VALUE | | MATURITY |
|---|---|---|---|---|---|---|---|---|
| 2007 $ | 2006 $ | 2007 % | 2006 % | 2007 % | 2006 % | 2007 $ | 2006 $ | |
| 59,073,301 | 74,416,184 | BBSW | BBSW | 5.02% | 5.02% | 972,704 | 1,387,874 | 10 Jun 2008 |
| 33,083,877 | 0 | BBSW | N/A | 6.02% | N/A | 2,614,226 | 0 | 10 Jan 2011 |

*Maturity profile of financial instruments*

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2007:

| 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 | | | | | | | |
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ | 2007 $ | 2006 $ | 2007 $ | 2006 $ | 2007 $ | 2006 $ | 2007 $ | 2006 $ | 2007 $ | 2006 $ | 2007 % | 2006 % |
| *(i) Financial assets* | | | | | | | | | | | | | | | | |
| Cash and liquid assets | 16,492,423 | 1,820,075 | | | | | | | | | | | 16,492,423 | 1,820,075 | 5.48 | 4.58 |
| Receivables – trade | | | | | | | | | | | 6,667,090 | 5,211,109 | 6,667,090 | 5,211,109 | N/A | N/A |
| Interest rate swap | | | | | 972,704 | 0 | 2,614,226 | 1,387,874 | | | | | 3,586,930 | 1,387,874 | Refer note 31(c) | Refer note 31(c) |
| Total Financial Assets | 16,492,423 | 1,820,075 | | | 972,704 | 0 | 2,614,226 | 1,387,874 | | | 6,667,090 | 5,211,109 | 26,746,443 | 8,419,058 | | |
| *(ii) Financial liabilities* | | | | | | | | | | | | | | | | |
| Payables | | | | | | | | | | | 15,219,897 | 8,499,826 | 15,219,897 | 8,499,826 | N/A | N/A |
| Bank overdrafts | 0 | 549,706 | | | | | | | | | | | 0 | 549,706 | 0.00 | 8.85 |
| Bank loan – Senior debt | | | | | | | 158,950,000 | 123,000,000 | | | | | 158,950,000 | 123,000,000 | 6.95 | 6.40 |
| Total financial liabilities | 0 | 549,706 | | | | | 158,950,000 | 123,000,000 | | | 15,219,897 | 8,499,826 | 174,169,897 | 132,049,532 | | |

### (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 (2006: 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 2007 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

Place: Melbourne

Date: 10 December 2007

meritpartners
CHARTERED ACCOUNTANTS

Tel 61 8 8982 1444
Fax 61 8 8982 1400
Level 2
9-11 Cavenagh Street
Darwin NT 0800 Australia
GPO Box 3470
Darwin NT 0801 Australia
www.meritpartners.com.au

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRPORT DEVELOPMENT GROUP PTY LTD

We have audited the accompanying financial report of Airport Development Group Pty Ltd (the company) and the entities it controlled during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

merit partners
CHARTERED ACCOUNTANTS

### Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in Note 26 to the financial statements. The provision of these services has not impaired our independence.

### Auditor's Opinion

In our opinion:

1. the financial report of Airport Development Group Pty Ltd is in accordance with:
   (a) the *Corporations Act 2001*, including:
      (i) a true and fair view of the financial position of Airport Development Group Pty Ltd and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
   (b) other mandatory financial reporting requirements in Australia.

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Merit Partners

Merit Partners

Matthew Kennon
Partner

Darwin
Date: 10/12/2007

This page has been left blank intentionally

## FAST FACTS

| FINANCIAL YEAR ENDING | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Passengers: | | | | | |
| DIA | 1,654,000 | 1,440,000 | 1,386,000 | 1,182,000 | 1,085,000 |
| ASA | 628,000 | 607,000 | 603,000 | 610,000 | 570,000 |
| Total | 2,282,000 | 2,047,000 | 1,989,000 | 1,792,000 | 1,655,000 |
| Landed Tonnes: | | | | | |
| DIA | 801,000 | 662,000 | 621,000 | 539,000 | 525,000 |
| ASA | 247,000 | 204,000 | 233,000 | 239,000 | 223,000 |
| TCA | 4,200 | 5,300 | 4,900 | 4,200 | 6,400 |
| Total | 1,052,200 | 871,300 | 858,900 | 782,200 | 754,400 |
| Aeronautical Charges (ex GST): | | | | | |
| Passenger Facilitation Charge ($/pax) ** | | | | | |
| DIA | 6.73 | 5.00 | 4.50 | 3.50 | 2.50 |
| ASA | 5.44 | 5.30 | 4.50 | 3.50 | 2.50 |
| TCA | n/a | n/a | n/a | n/a | n/a |
| Airport Services Charge ($/pax) ** | | | | | |
| DIA | 6.37 | 5.75 | 5.50 | 5.50 | 4.98 |
| ASA | 6.61 | 6.45 | 5.50 | 5.50 | 4.98 |
| TCA | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| Landing Charge General Aviation $/MTOW ** | | | | | |
| DIA International | 19.00 | 18.50 | 18.00 | 16.00 | 15.01 |
| DIA Domestic | 19.00 | 18.50 | 18.00 | 16.00 | 14.00 |
| ASA | 19.00 | 18.50 | 18.00 | 17.25 | 16.50 |
| TCA | 23.00 | 23.00 | 23.00 | 23.00 | 23.00 |
| Revenue $000s*** | | | | | |
| DIA | 39,129 | 28,161 | 23,238 | 18,843 | 15,651 |
| ASA | 11,408 | 10,057 | 9,062 | 8,174 | 6,581 |
| TCA | 151 | 211 | 153 | 183 | 196 |
| Other | (38) | (39) | 635 | 6 | 96 |
| Total ADG | 50,650 | 38,390 | 33,088 | 27,206 | 22,524 |
| EBITDA $000s | | | | | |
| DIA | 23,876 | 16,749 | 12,770 | 10,017 | 6,869 |
| ASA | 7,401 | 6,445 | 5,349 | 4,871 | 3,770 |
| TCA | (38) | 15 | (22) | - | 16 |
| Other | 0 | 0 | 677 | 51 | 96 |
| Total ADG | 31,239 | 23,209 | 18,774 | 14,939 | 10,751 |
| Capital Expenditure $000s | | | | | |
| DIA | 23,276 | 20,731 | 17,771 | 4,197 | 1,797 |
| ASA | 7,568 | 1,831 | 1,035 | 970 | 277 |
| TCA | 112 | 1 | 5 | 3 | 14 |
| Total ADG | 30,956 | 22,563 | 18,811 | 5,170 | 2,088 |
| Employees | | | | | |
| DIA | 55 | 42 | 42 | 41 | 36 |
| ASA | 11 | 11 | 11 | 12 | 13 |
| TCA | 1 | 1 | 1 | 2 | 2 |
| Total ADG | 67 | 54 | 54 | 55 | 51 |

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

REGISTERED OFFICE

Airport Management Centre
1 Fenton Court
Marrara
Northern Territory 0812

Tel: +61 8 8920 1811
Fax: +61 8 8920 1800
Website: www.ntapl.com.au



Airport Development Group

Darwin International Airport

Alice Springs Airport

Tennant Creek Airport