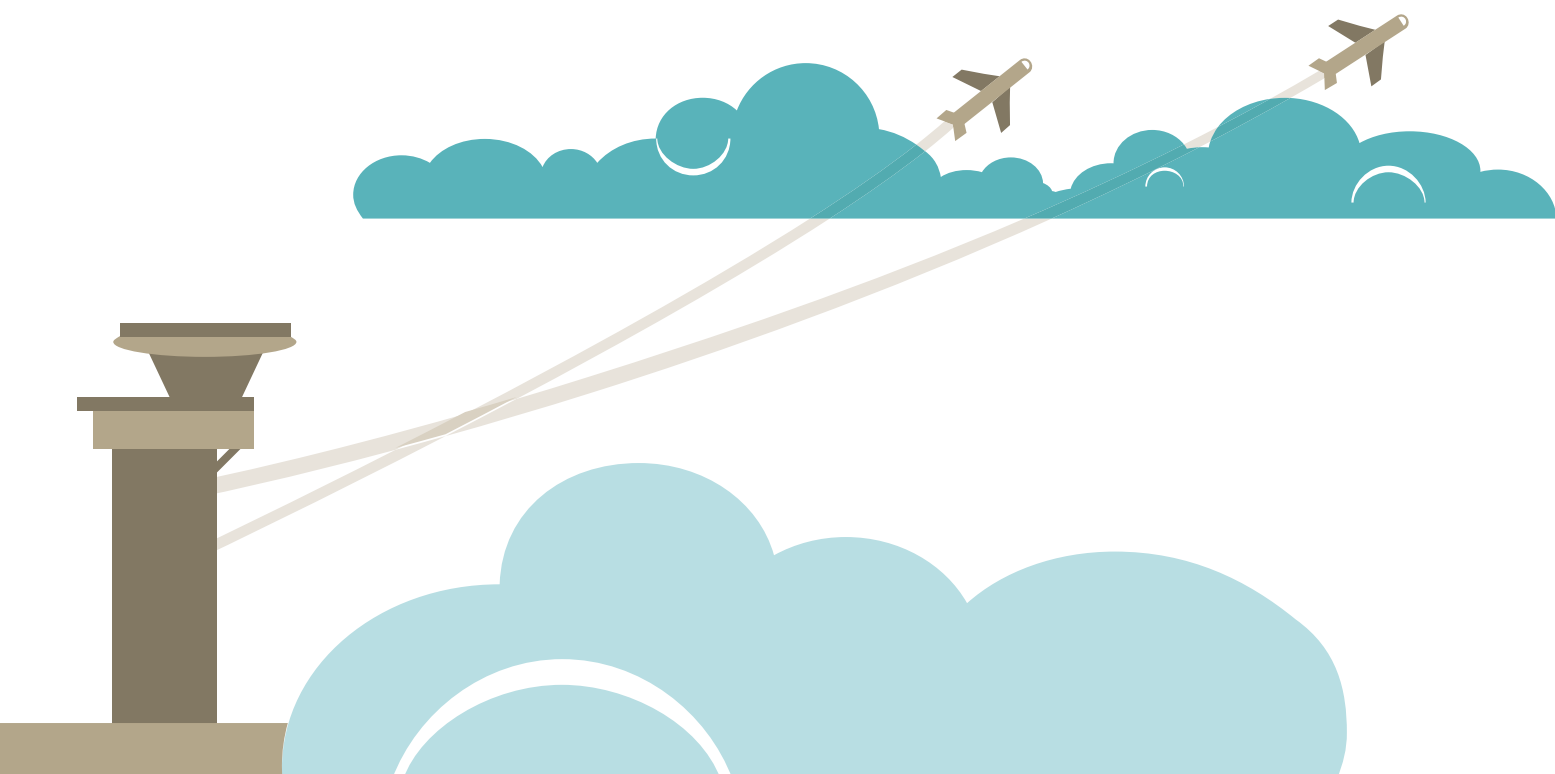




AIRPORT DEVELOPMENT GROUP

ANNUAL REPORT 2011-12



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ABOUT AIRPORT DEVELOPMENT GROUP

Airport Development Group Pty Limited (ADG) is the ultimate parent company of the ADG Group. ADG owns 100% shares in Northern Territory Airports Pty Limited (NTA) and Tennant Creek Airport Pty Limited (TCA). NTA owns 100% shares in Darwin International Airport Pty Limited (DIA) and Alice Springs Airport Pty Limited (ASA).

ADG has been a member of the Northern Territory (NT) community since 1998. As part of Australia's airport privatisation program, we acquired leases from the Australian Federal Government (AFG) for Darwin International Airport, Alice Springs Airport and Tennant Creek Airport. Each airport lease is for a term of 50 years, with an option of a further 49-year lease.

ADG is proudly 100% Australian owned by Industry Funds Management (55.6%), Hastings Funds Management (28.23%) and Palisade Investment Partners Limited (16.17%).

**On average one in three
Territorians benefit from
ADG through their
superannuation funds.**



VISION

To be the most successful airport business in Australasia

We will achieve this by:

- developing a commercial non-aviation property portfolio of more than \$200 million
- growing passengers to 3 million at DIA and 700 000 at ASA
- maintaining the respect of all of our airline customers
- creating a positive work environment and making ADG an attractive place to work
- being recognised as a significant contributor to the NT economy
- ensuring development is done in accordance with the airport Master Plans and the Airport Environment Strategies
- securing strong and diverse community support for our airport businesses
- continuing to outperform other Australasian airports' growth of Total Shareholder Return.

PURPOSE

Our purpose is to provide safe, efficient and environmentally sound services that represent value for money for our customers, and optimise the financial returns to our shareholders.

We will do this by:

- operating a safe and secure airport
- providing outstanding customer service
- developing a sustainable aviation and non-aviation airport business
- excelling in environmental and financial management
- maximising long term value for our shareholders
- contributing to the NT's economic growth and our community.

VALUES

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

Safety First

Safety is our number one priority.

Customer Focused

Our customers are important and our focus on their needs will ensure our relevance and success.

Honesty & Integrity

We are honest, ethical and professional in all that we do.

Accountability

We will deliver on our commitments and take ownership of our responsibilities.

Innovative & Creative

We encourage new thinking in our team.

Respect for each other

Our people are our most important resource and we appreciate their values, respect their rights, promote their talents and reward their commitment.

Community Engagement

We are an important part of our community and we will seek to engage with them at all levels.

Team Work

We will work together to achieve the collective goals.

BOARD OF DIRECTORS



Chris Barlow - Chairman

Chris Barlow has over 32 years experience in the aviation industry. From July 2000 until August 2007, Chris was Managing Director and Chief Executive Officer of Australia Pacific Airports Corporation, the operator of Melbourne and Launceston Airports. Prior to that, he had several roles with BAA plc (formerly British Airports Authority), the United Kingdom airports company, including Managing Director of Aberdeen Airport and Corporate Development Director. Chris has also worked in the United Kingdom and North America. He is currently a Director of Asciano, Chairman of their Remuneration Committee and Chairman of the Melbourne Visitor and Convention Bureau.

Chris has a Bachelor of Science (Honours) in Civil Engineering.



Alexandra Campbell - Director

Alexandra Campbell is a Director for Hastings Funds Management, largely working with the Australian Infrastructure Fund, which is listed on the Australian Stock Exchange. Alexandra represents the Australian Infrastructure Fund on the Boards of ADG, Queensland Airports Group and as an alternate director for Perth Airport. Prior to joining Hastings in April 2007, Alexandra was a solicitor with Freehills.

Alexandra has a Bachelor of Business and Bachelor of Laws (Honours) from Monash University, a Graduate Diploma in Applied Finance and Investments from the Financial Services Institute of Australia (FINSIA) and a Masters of Applied Finance and Investments (FINSIA).

Jeff Pollock - Director

Jeff Pollock is part of Hastings Funds Management's executive management team and holds the dual role of Head of Listed Infrastructure and Chief Executive Officer of the Australian Infrastructure Fund.

Prior to joining Hastings, Jeff was part of the senior management team at Prime Infrastructure/Babcock and Brown Infrastructure (BBI) where he was Chief Operating Officer for BBI Transport Infrastructure. Jeff previously held senior positions with Queensland Treasury and Price Waterhouse.

Jeff holds a Bachelor of Accountancy from the University of Glasgow, and has been a member of the Institute of Chartered Accountants of Scotland since 1989.



Roger Lloyd - Director

Roger Lloyd has 17 years of funds management and investment banking experience, with over three years with Perpetual Investments, including as Head of Infrastructure, and 12 years with Macquarie Bank and previously Bankers Trust, prior to joining Palisade Investment Partners in 2008.

Roger was in the project finance division of Macquarie's Investment Banking Group, where he focused on Public Private Partnerships working with both Government and private sector clients. In this role, Roger was involved in origination of transactions, consortium formation, structuring and arranging debt and equity across a broad range of infrastructure projects. He also played an important role in the government advisory business of the bank and has an intimate knowledge of Government requirements in privately financed projects.

Roger is a Chartered Accountant, a Graduate of the Australian Institute of Company Directors and holds a Bachelor of Business from Kuring-gai College (now University of Technology Sydney).



BOARD OF DIRECTORS



Mr Julio Garcia – Director

(Resigned November 2011)

Julio Garcia is an Executive Director in the Infrastructure Group at Industry Funds Management (IFM). Since joining IFM in 2008, Julio has been responsible for sourcing, evaluating and executing new domestic and international investments and managing existing investments within IFM's Australian infrastructure portfolio. Julio's experience spans roles in asset management, investment banking and strategy consulting. Prior to joining IFM, Julio held positions with Viant Capital, Bank of America, Robertson Stephens and Gemini Consulting. Julio is also a director on the boards of the Port of Brisbane, Ecogen Energy and Wyuna Water.

Julio holds a Master of Business Administration degree from the Stanford University Graduate School of Business and a Bachelor of Arts (Public Policy) degree from Stanford University. He is also a Member of the Australian Institute of Company Directors.



Mr Adrian Croft

(Appointed November 2011)

Adrian Croft joined Industry Funds Management (IFM) in July 2009 as Investment Director (Infrastructure). Prior to IFM, Adrian was employed with Credit Suisse (formerly Credit Suisse First Boston - CSFB) since 1998. For the 3½ years prior to joining IFM, Adrian held the position of Vice President with Credit Suisse's Tokyo office, where he managed all aspects of arranging leveraged and structured financings for corporate and private equity clients. Prior to his appointment to the Tokyo office, Adrian worked in the New York and Melbourne offices of CSFB, focusing on debt financing and investment banking.

Adrian holds a Bachelor of Economics (Honours)/ Bachelor of Laws (Honours) from the University of Sydney.

Tom Ganley – Company Secretary

Tom Ganley is Chief Financial Officer and Company Secretary of ADG

With over 23 years experience in aviation finance, Tom Ganley joined ADG in June 1998. Previously, Tom held various senior finance and commercial management roles at Adelaide and Alice Springs Airports.

A Justice of the Peace, he has a Bachelor of Accountancy from the University of South Australia, a Graduate Diploma in Applied Corporate Governance and an Australian Institute of Company Director's Diploma. Tom holds Fellow memberships with CPA Australia, the Institute of Chartered Secretaries and Administrators, the Australian Institute of Company Directors and the Australian Institute of Management. Tom is Chair of Judges for the Northern Territory Brolga Tourism Awards and a national judge for the Australian Tourism Awards.





CHAIRMAN'S REPORT

Mr Chris Barlow

The Airport Development Group (ADG) has had a busy year planning and designing the expansion of Darwin Airport to prepare the business for the unprecedented growth forecast for the Northern Territory. We also continued our infrastructure program across the Group to maintain our airports to meet the needs of all Territorians and visitors alike.

In the Top End, several projects of significance are underway making Darwin the second fastest growing capital city in Australia at a rate of 2.9% pa. Contributing projects of national significance include the INPEX LNG Processing Facility in Darwin and the Darwin Marine Supply Base. The timely expansion project for Darwin International Airport's terminal will be at the centre of this activity, meeting to growing movement in and out of the region and further contributing to the growing local economy.

During financial year 2011/12 ADG has increased capital expenditure by a significant 38.5%, putting resources into vital assets such as \$8.5 million into an Apron Overlay Project in Alice Springs. This project has ensured no major maintenance is required to over 80% of the airport's runways, taxiways and aprons in the next 5 years.

I must reflect however, on the wider economic climate which has provided ADG Executive Management with challenges and opportunities to diversify revenue streams given our 3.1% decline in passenger numbers on the previous year. The continuing high Australian Dollar has limited the appeal of domestic travel while our neighbours in South East Asia have gained in popularity and affordability as a holiday destination.

As Australia's Gateway to Asia, Darwin is well positioned to target these travellers to South East Asia and in 2012 the airport received industry recognition at the Routes Asia conference in Chengdu, China, for initiating innovative campaigns to attract travellers in Australia's southern states to stop over in Darwin.

Despite this uncertain economic climate and drop in passenger numbers I am very pleased to report ADG's revenue increased 7% on the previous year. This encouraging result is largely attributed to increases in airport retail and ground transport revenue, rate increases in accordance with our airline pricing agreement and non-aeronautical income through our growing property portfolio.

I would like to thank Ian Kew and the staff at all our airports for the hard work and professionalism they continue deliver. I also thank my board for their productive contributions this year in guiding ADG towards this exciting growth phase.

On behalf of the board, it is my pleasure to present the 2011/12 ADG Annual Report.

CHRIS BARLOW
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Mr Ian Kew



ADG experienced a challenging yet rewarding 2011/12 financial year and I'm very proud of what my team has achieved during this period in Darwin, Alice Springs and Tennant Creek.

While global economic uncertainty and the high Australian dollar continued to provide a disincentive for leisure travel in Australia, ADG saw pleasing growth in domestic and international business travel largely as a result of new mining and construction projects underway in the Top End, which are set to accelerate the Northern Territory economy.

In line with this new growth period, planning for Darwin International Airport's largest Terminal Expansion Project progressed as we welcomed our dedicated Project Team. The terminal expansion will ensure the airport adequately supports and sustains current economic growth as well as meet future capacity projections to 2018.

Importantly, we achieved our long term objective of securing a full service international carrier to Darwin with Singapore Airlines regional wing, SilkAir commencing services between Singapore and Darwin in March 2012. Our travellers are now offered a competitive service on this route and are able to connect throughout the entire Singapore Airlines and SilkAir global network direct from Darwin. Despite continuing with only one commercial operating airline, being Qantas, in Alice Springs, we welcomed the decision of additional services to Melbourne in June 2012.

The strong and trusting relationships we have built with our airline customers resulted in Darwin International Airport being awarded the Routes Asia Airport Marketing Award in April 2012. Voted by airlines, the award acknowledges Darwin's initiatives to build and promote our route network as best in Asia and I am incredibly proud of my team for this achievement.

Our Property team has worked hard to continually build our portfolio in both Darwin and Alice Springs. This year we saw the completion of Project Jupiter at Darwin International Airport which included an Australian Federal Police (AFP) Aviation Operations Centre and a Canine Kennel and Training Facility. The AFP's Aviation Operations Centre has been strategically positioned to attract new commerce to our General Aviation hub into the future. In Alice Springs a new hangar for Northern Territory Police Air Wing was approved in February 2012 and is expected to be completed in December 2012.

We continue to value the importance of community involvement and consultation and have actively engaged with local industry during the first year of our Community Aviation Consultative Group and Planning Coordination Forum in Darwin and Alice Springs. We were creative with our sponsorships partners including Darwin Festival, the inaugural Darwin Fridge Festival and the Alice Springs Masters Games to bring a sense of atmosphere about these events to the travelling public in our terminals; and we were delighted to raise \$24,000 for our Annual Charity Golf Day recipient Carpentaria Disability Services.

Our commitment to the health and safety of our staff and the preservation and conservation of our environment remained central to our business operations. In October 2011 we celebrated winning a Northern Territory Landcare Award for our work along the rapid creek catchment in our urban environment.

Thank you to all our stakeholders', staff and industry partners for your hard work, enthusiasm and commitment to working with us towards successful outcomes. We look forward to a positive year ahead as we build on our achievements through innovation, team work and great customer service.

IAN KEW
Chief Executive Officer

PEOPLE AND CULTURE

Our Staff

The people at ADG are central to our commitment to providing airport users with quality customer service and a positive airport experience. We are dedicated to the development of a strong and highly efficient team culture.

In 2011/12, ADG staff trained in the principles of Lean Six Sigma, initiated the introduction of a dedicated Business Improvement Group. The group includes a broad cross section of individuals who are passionate about introducing lean thinking into everyday business activities.

Over the course of the past year, ADG said farewell to three long serving team members who between them had 83.5 years' experience working at the airport. John (Kevin) Ah Wang spent 31 years as a Groundsman at DIA, Don MacDonald commenced his employment with ADG in 1998 as General Manager of ASA before transferring to DIA for 2 years prior to retiring, and Kenny McManus commenced working for DIA after the devastation of Cyclone Tracy when the airport was operated by the Federal Airports Corporation and stayed with the business for 36 years as a dedicated and skilled Groundsman. All three gentlemen were highly respected by their colleagues and we wish them well in their retirements.

Several staff achieved notable long service milestones this year including Dave Kelley reaching 40 years, John Achterberg reaching 35 years and Harry Stubbins reaching 30 years of service with the airports.

DIA welcomed a new Department as planning and preparation for the Terminal Expansion Project (TXP) become more intensified. TXP Project Director David Cvirn, Senior Contracts Administrator Matthew Melick and Project Manager James Hedger all joined NTA in 2011/12 to manage the project build.

Training and Development

Safety continues to be our number one priority with several staff completing or currently completing a Certificate IV in Occupational Health and Safety. Following the release and implementation of new Work Health and Safety (WHS) legislation in August 2011, ADG has run several internal workshops to ensure all staff are aware of changes, their rights and responsibilities to safety in the workplace.

Relevant staff within the Operations Team at DIA, ASA and TCA commenced further training in Certificate III Aviation (Ground Operations and Services).

On a voluntary basis, many staff continued to be enjoy and be involved in industry initiated training at conferences and seminars both in the NT and around the country.





Caring for our staff

Our Gateway to Health program continues to be popular amongst staff. The program provides regular seminars on health and wellbeing, runs regular health screen assessments, initiates activities such as our Pedometer Challenge and Urban Adventure Challenge and hosts health presentations run by experts in their field. 2011/12 topics included Healthy Bones, Diabetes and Eye and Back Care. ADG continued to offer staff a 'Living Well Rebate' which has proven to be very successful.

The Employee Assistance Program remained available to all staff. The program provides a comprehensive range of counselling and support services for staff and their family members and is independent and confidential from the business.



PEOPLE AND CULTURE

Workplace Health & Safety

A new Work Health and Safety (WHS) Advisor was employed at DIA in 2011 to continue promoting the importance of safety in all ADG work environments and educating staff on the new laws prior to their implementation on 1 January 2012. At ASA, WHS gained dedicated focus with the Business Support Manager taking on this accountability. Safety initiatives during 2011/12 included an increased focus on safety in all ADG training programs and activities, participation in Safe Work Australia Week as an official Ambassador, the roll out of a Cyclone cleanup campaign across the entire DIA airport community and the start of a scheduled Safety Observation Program at ASA in April 2011 as part of the Safety Action Plan for the year.

A combined airport community event which aligned with our wellness goal the fun filled Urban Challenge event at DIA and ASA. The competitive activity required teams to solve a series of cryptic clues to complete various activities including bike riding, rock wall climbing and swimming. Prizes were awarded for the first, second and third to finish and for the best dressed team at the social barbeque afterwards.

ADG took great care to ensure these initiatives included staff, contractors and tenants to encourage a stronger safety focused culture on airport. The results have been positive, with more staff and contractors participating in training and an increased willingness to report hazards and potential hazards. ADG recorded one workplace injury for the year.



COMMUNITY ENGAGEMENT

In December 2011 both Darwin and Alice Springs terminal buildings celebrated their 20 year anniversary. Both airports invited guests to events to mark the occasion and reflect on the past 20 years of commercial aviation in the NT alongside our airline partners, local and federal Government representatives, airport tenants and on-airport operators.

DIA's celebrations were held the Darwin terminal's Qantas Club with the runway setting the backdrop while, ASA's celebrations were held in the terminal forecourt and doubled as the community family Christmas Party with Santa arriving as special guest in time for the birthday cake.

Both events recognised the significant growth and development of not only each airport over this period but also the significant growth and development of their surrounding communities and the importance the airport places on supporting and working with these communities through sponsorship and donation, consultation, engagement and through facilitating industry development.

Community Consultation

DIA and ASA hosted Community Aviation Consultation Group (CACG) meetings in line with Federal Government requirements to host three per calendar year. The purpose of these meetings is to enable the local community and an airport operator to meet and discuss airport operations and address issues or complaints the community may have regarding airport activities. The CACG membership includes an independent chair and a representative from different sectors and such as tourism, business, environment and the general community. During 2011/12 each committee received presentations from the airport on topics such as bird and animal hazard management, airport quality of service monitoring and an insight into the respective airport's strategy, passenger traffic statistics and commercial property developments.



COMMUNITY ENGAGEMENT

Interactive Media

Free Wi-Fi

Travellers through DIA and ASA enjoyed access to an updated Wifi service installed early in 2012. The new service provides users with faster connectivity, wider coverage and free access to the internet on any mobile, computer or Wifi enabled device.

ADG has brought the management of public internet access in house with a solution that has enabled extended coverage to now include the ground floor within the Darwin terminal and a completely new Wifi service within the Alice Springs terminal.

ADG continues to offer a 100% free Wi-Fi service, reflecting our observation that convenient internet access is considered no different to providing other essential airport services for modern day travellers.



Live Flight Radar

ADG was the first Australian airport to allow travellers to stream Live Flight tracking via our Wi-Fi hot spot. Users can track the arriving or departing flight in real time along with the aircraft's flight details including airline name, aircraft type, flight number, speed, altitude, bearing and position, all from their web enabled mobile.

The tool is a joint venture with Flightradar24.com and can be viewed directly from the Darwin or Alice Springs website or on a dedicated digital screen in the DIA terminal. The radar has proven very popular with aviation enthusiasts as well as people in the terminal watching and waiting for family members to arrive.





Charity

NTA is committed to supporting not for profit programs and organisations that improve NT communities. In 2011/12 DIA and ASA provided financial donations and resource assistance to sporting, cultural, historical, disability and educational organisations and programs across the Northern Territory.

The DIA Corporate Giving Program provided financial donations to organisations such as the Cancer Council NT for their Rose's Petals Relay for Life and organised fundraising events such as the BBQ on airport to help Riding for the Disabled raise funds to install a fence for a new outdoor riding area.

In Alice Springs, the airport continued to heavily support local charities including a donation to the Alice Springs Bush Fire Volunteers.

The 2011 Annual Darwin Airport Charity Golf Day was in support of Carpentaria Disability Services (CDS) to not only raise funds for their organisation but also raise awareness of their presence in the Territory and their endeavors. The 'Carnival' themed day raised \$24,000 which went towards the purchase of a pool hoist for CDS to use at their Tiwi campus. As an added advantage to the community, the hoist was designed so that it could be transported and used at the Casuarina public pool, thus benefiting more people in the local community.

"CDS is very appreciative of Darwin International Airport for choosing us as the benefactor of the Corporate Golf Day. The day was well organised, a lot of fun to be in and created a great opportunity to link a wide section of the Darwin business community."

Greg McMahon, CEO Carpentaria Disability Services.

COMMUNITY ENGAGEMENT

Sponsorship

Support for Territory initiatives through sponsorship is a core focus of our commitment to engage with the local community. In particular, ADG has a strong relationship with the local Arts community. The vibrancy, variety and diversity of the Arts means creative initiatives can reach out to different ages and interests through a number of formats. Through our sponsorship of the arts, ADG aims to achieve three main outcomes:

1. Promote Northern Territory talent, achievements and events to a local, national and international audience by utilising space within the terminal and our online network;
2. Encourage greater community participation in local events and initiatives and,
3. Provide opportunity for NTA staff to be involved and participate.

Darwin Events

Darwin Festival

DIA has a strong and long standing relationship with the Darwin Festival. In 2011, DIA agreed to extend as a Major Sponsor for a further 2 years, recognising the social, economic and cultural benefit the event provides the Top End. The airport proudly promoted the Festival through signage, website and social media advertising. DIA also welcomed two spontaneous brass bands to the terminal to play for the traveling public, thus bringing the Festival atmosphere to travellers as well.

Darwin International Film Festival

A unique event on Darwin's cultural calendar is the Darwin International Film Festival at the iconic Deckchair Cinema. For the second year, DIA was delighted support the event as Major Sponsor and help build interest and participation in the local film industry. Coordinated by the Darwin Film Society, the Festival provided Top End residents the opportunity to meet local and national film makers, actors and other industry professionals which is a unique and valuable occasion for local Territorians building a career in the industry.

"Darwin's International Film Festival challenges and engages the audience with unique film selections otherwise not screened in the Northern Territory. As a result, the Festival is fast developing a wonderful reputation for the variety of International cinematography, the cultural experience it provides viewers and for the unique atmosphere the Deckchair Cinema is well known for."

Ian Kew, ADG Chief Executive Officer



Darwin Fridge Festival

The inaugural Darwin Fridge Festival was officially opened at the Aviation Institute at DIA in October 2011. Celebrating all that is cool during the Top End's build up season, the festival encourages families, schools and community groups to convert and or decorate fridges and eskys into works of art. At its heart, the Darwin Fridge Festival is truly a Community Arts event which the airport is very proud to be a part of. Through the 3 week festival period, an exhibition was displayed in the terminal arrivals area and included fridges converted into an aircraft, car and decorated to look like the airports iconic lily pad carpet pattern.

Off the Leash

Through sponsoring Off the Leash, a monthly 'what's on' guide, DIA has been able to continually promote and support many NT artists, performers and talents as well as the organisations and institutions that deliver arts events each month. The sponsorship has included significant advertising space and the distribution of the magazine within a high traffic area in the terminal and online promotions through DIA's website and social media network. Over the 12 month period, distribution copies of the magazine at the airport had to be increased indicating the rising popularity of the local publication.



COMMUNITY ENGAGEMENT

Alice Springs & Central Australia Events

Darwin Symphony Orchestra

Airport stakeholders were invited to the Darwin Symphony Orchestra (DSO) concert at Alice Springs Desert Park which was part of the 2011 Sitzler Red Desert Tour. The event was a unique territory experience under the stars and was a wonderful tourism event to that highlighted the best of Alice Springs and the surrounding region.

Tourism Central Australia Industry Awards

ASA provided support through sponsorship of the Tourism Central Australia Awards program. Promotion of the program, finalist and winners benefits not only the individual organisations but the local tourism industry as a whole.

Muso Magic Workshop

As part of ASA's engagement with the local community, the Alice Springs Airport Youth Leadership Program 2012 was initiated to empower and motivate local students and develop their leadership skills. As part of the program, the innovative expertise of MusoMagic was engaged to run a special musical workshop for 45 local primary and high school students.

The workshop was designed to reward community spirited and hardworking youth and enabled those participating to celebrate the theme of the Leadership Program which is all about positivity of themselves and their town as well as recognising and developing their leadership skills. Students were selected based on their good performance, hard work and achievement at school.

The two day workshop required students to use their creativity, communication and negotiation skills and to compromise with and trust each other to write, sing and perform a song. Following the creative process the students then produced a music video they could importantly, share with their community.

"It was an amazing couple of days and the music video created is a true reflection of the fun they had and the personal and community benefits that can be achieved through an initiative such as the Airport's Youth Leadership Program."

Katie Cooper, Alice Springs Airport General Manager.





ENVIRONMENT & SUSTAINABILITY

Airport Environment Strategy

ADG is the custodian of large and environmentally significant parcels of land in Darwin, Alice Springs and Tennant Creek, having acquired the lease from the Australian Government in 1998. We recognise the need to preserve and promote the ecological value of the sites as they are increasingly affected by growing urban populations. We also strive to minimise our environmental footprint through energy-efficient technologies and environmentally responsible practices.

To help guide, monitor and review the management of our natural environment, ADG has a comprehensive Airport Environment Strategy (AES) for DIA and ASA. The 5 year strategic plan was approved by the Australian Federal Government in 2009/10 and is due for renewal in 2014.

In 2011/12 ADG maintained all environmental standards and legislative requirements, extensively reported on airport monitoring of air, water, soil, flora and fauna and continued to act responsibly to minimise the impact of airport operations on the environment, in line with the AES.

Environment Management System

In accordance with ISO 14001 standards ADG has an effective Environment Management System (EMS) which applies to the environmental issues that we can control and influence at DIA and ASA. Our established EMS enables us to formulate policies and objectives taking into account legislative requirements and information about significant environmental impacts. Within the EMS, we take into account pertinent regulations, Codes of Practice and Standards that relate to airport activities.

During 2011/12 our EMS was revised to reflect the re-structure within the organisation.



Biodiversity on Airport

ADG recognises the importance and benefit of preserving native vegetation for biodiversity conservation and amenity of all ADG airport communities.

Darwin International Airport has two identified conservation areas. One is the Rapid Creek Buffer Zone, a 9.77 hectare site which provides a 75 metre buffer encompassing Rapid Creek and the surrounding Marrara Wetland. The other is a 15 hectare Conservation Reserve which is home to a range of native species and has a variety of habitat types. Both reserves at DIA form part of the overall concept of incorporating buffers in all future development plans.

Rapid Creek is the only sizable fresh water stream system within the Darwin city limit and therefore has environmental, social and recreational significance to the local community. As such, DIA has taken great care to not only preserve but enhance the Rapid Creek Buffer Zone on Airport. In late 2011 a community brochure was completed on the Gurumbai Walking Trail the airport established within this Zone, providing reference to the location of the trail to Rapid Creek and the Marrara Wetland. Along the trail, interpretive signage was also installed to educate walkers about the flora and fauna, the habitats of the area and the history of the site. In December 2011 an additional 800 Eucalypt seedlings were planted in the Rapid Creek buffer zone.

The Conservation Reserve stems from two environmental initiatives undertaken by DIA:

1. The preservation and promotion of the Territory's native flora and fauna; and
2. Offset of greenhouse gas emissions created by the DIA business through biosequestration

The reserve's main body of vegetation remains protected 'airside' and is not publicly accessible, but extends landside into the riparian zone of Rapid Creek where it is open to the public. The reserve provides a strong biological link between the upper catchment area of Rapid Creek and the creek corridor. In 2011/12 DIA continued to maintain the Reserve with weed management and further rubbish removal and in January 2012 ADG Environment Manager, Jill Holdsworth, presented at the 2012 Caring for Country Seminar in Darwin using the Conservation Reserve as a case study on conservation reserves within an urban environment.

In addition to these conservation areas, DIA also planted a native garden near the passenger terminal, the Matboerrma Gardens, in 2002. During the week of World Environment Day in June 2012, DIA Ground Staff continued the tradition of their involvement with the garden with enhanced planting of 184 native plants recommended by NT Landesign and supplied by Greening Australia.

ASA has a unique ecosystem on the vast airport landholding. Management activity of this area during 2011/12 included the mapping and management of weeds, in particular the Mexican Poppy, ongoing inspection of the Coolabah patches including monitoring of the Buffel Grass cover, species diversity and habitat condition. Buffel Grass requires special management due to the threat it poses to the vegetation community in terms of wildfire intensity.

Due to the increased risk of wild fires as a result of the increased vegetation from rains in 2010, the Airport staff undertook Bush Fire Training and then, with the support and leadership of the NT Bushfires Volunteers, Controlled burns were conducted on airport to reduce the risk and also increase accessibility for fire vehicles.

ENVIRONMENT & SUSTAINABILITY

Environmental Monitoring

ADG continually carries out extensive environmental monitoring on all airport sites to assess the effectiveness of management programs and controls established as part of the EMS.

Monitoring activity was conducted at several locations at DIA and ASA during 2011/12. Activities include:

<i>Darwin International Airport</i>	<i>Alice Springs Airport</i>
Groundwater condition and quality	Storm water drain
Surface water/storm water quality	Soil erosion
Macro invertebrates in Rapid Creek	Coolabah photo point monitoring
Potable water quality	Weed monitoring
Erosion	Bird and animal hazards
Bird and animal hazards	Resource use – water and electricity
Resource use – waste/water/electricity	Mosquito population
Mosquito population	Potable water

Table: Summary of Environmental Monitoring activity at ADG in 2011/12

A full summary and analysis of each monitoring activity for the 2011/12 period can be read in the Darwin International Airport Environment Report 2011/12 and the Alice Springs Airport Environment Report 2011/12. These reports are accessible on our website at www.ntairports.com.au.

Community Engagement

Engaging with stakeholders and the local community is a key aspect of the implementation of the AES and EMS. In addition to ADG's corporate communications, environment and sustainability practices on airport were further promoted through:

Landcare Awards

To highlight the Airport's work in preserving and promoting the ecology of the Airport site within an urban environment DIA submitted an entry to the 2011 NT Landcare Awards. DIA won the NT Urban Landcare Category and were applauded for the airports efforts in natural resource management. DIA went on to represent the Northern Territory as a Finalist in the 2012 National Landcare Awards in September 2012.

Land for Wildlife

In August 2011, DIA became 'Land for Wildlife' members. Land for Wildlife is a free voluntary program by which landowners who wish to manage areas of their property for wildlife habitat are recognized for their efforts. Participants have access to support and assistance with regard to habitat management, protection and restoration through a Land for Wildlife coordinator. The program also provides a link for like-minded people and the chance to share ideas through field days, workshops and other activities. 'Land for Wildlife' signs have been erected at the Conservation areas on the airports lease. ASA continued its Land for Wildlife membership in 2011/12, having been a member since 2007.

Environmental Reference Books

ADG was a Bronze Sponsor of the first edition of the publication 'Weeds of Northern Territory Australia: A field guide' written by weeds expert Nicholas Smith. The book was launched on 24 February 2012 at Darwin's George Brown Botanic Gardens and is designed to help identify and eradicate weeds in the Northern Territory. NTA also provided funds for a guide on preferred plants for native plantings in the Alice Springs area which is due to be published in 2012/13.

Brolga Tourism and Airport Council International (ACI) Awards

The environmental initiatives at ASA received recognition and promotion by being awarded the Northern Territory Brolga Tourism Award and the Airport Council International Award, Green Airports - Outstanding Recognition. The stand out initiatives at ASA included the Solar Power Station and the commitment to public education to help individuals reduce their impact on the environment.

AIRLINE & AIRPORT SERVICES

ADG airports provide key links in our community, transporting passengers and enabling critical business, trade and tourism activity. We continue to research and identify new opportunities to grow our airline services to the Northern Territory market. The Airline and Airport Services team is responsible for delivering three key outcomes for the business; to grow revenue streams from passenger related activities; to provide outstanding customer services; and to do so in a safe manner.

In April 2012, DIA's commitment to developing and implementing route development strategy was internationally recognised when the airport was awarded the Routes Airport Marketing Award for the Asian region. Voted by airlines, the award acknowledges an airport they felt innovatively executed their marketing activities over the previous 12 month period including market research and marketing communications activity alongside their business case presentations.

In presenting the award Judges applauded DIA's achievement in securing Singapore Airlines full service regional wing, SilkAir to Darwin who commenced direct flights between Singapore and Darwin in March 2012.

"We are delighted that Darwin has won this regional award of our awards. It is amazing what they have achieved in just 12 months, particularly after the delivery of SilkAir, and we feel this acknowledgement is fully deserved. Darwin is a first time nominee and it's great to see them listed here alongside the big players such as Changi and Sydney - this just goes to show that these awards are not about the size of an airport and Darwin will now compete in the World Routes Airport Marketing Awards later this year."

- David Stroud, Executive Vice President Airports, Routes

Darwin International Airport

Located closer to Asia than any other Australian capital city, Darwin is a vibrant and modern tropical city with a stunning harbour seven times the size of Sydney's. DIA's strategic location makes it an ideal narrow body aircraft hub for services between most major capitals in Asia and all Australian cities, with an average flight time of 4.5 hours. Just 13 kilometres from Darwin's Central Business District, DIA is on the doorstep of a range of Northern Australia's natural wonders, such as the World Heritage listed Kakadu National Park and Litchfield National Park, major attractions to both domestic and international markets.

DIA is served by a range of airlines, including Qantas, Virgin Australia, Jetstar, Skywest, Airnorth and during 2012, SilkAir, Singapore Airlines' regional wing began four times weekly with full service international operations connecting Darwin with over 90 global destinations. Several charter airlines that travel regularly to nearby remote communities also operate from DIA. Our 24 hour curfew free operations mean that airlines can schedule flights to meet their needs, improve connection flexibility and maximise the use of aircraft. An integrated domestic and international terminal enables transferring passengers to connect seamlessly to their onward journey under one roof. DIA features two runways and is capable of handling the A380, the largest commercial passenger aircraft in operation. It is a joint user facility shared with the Australian Department of Defence.



Flights

A number of new services were launched in 2011/12, and further schedule changes were also implemented indicative of the ever-changing airline sector.

- Airnorth commenced twice weekly flights between Darwin and Townsville in February 2012.
- SilkAir commenced flights between Singapore and Darwin operating 4 times weekly from March 2012.
- Virgin Australia commenced daily Sydney flights in April 2012.
- Qantas operated 2 charter flights to Hong Kong in January 2012.
- Jetstar commenced Manila to Tokyo extension on the Darwin to Manila service, 4 times weekly in March 2012.
- Jetstar cancelled four times weekly Ho Chi Minh flights in March 2012.
- Jetstar reduced Cairns services from 7 to 3 per week in March 2012
- Indonesia AirAsia cancelled four times weekly flights from Bali in April 2012.

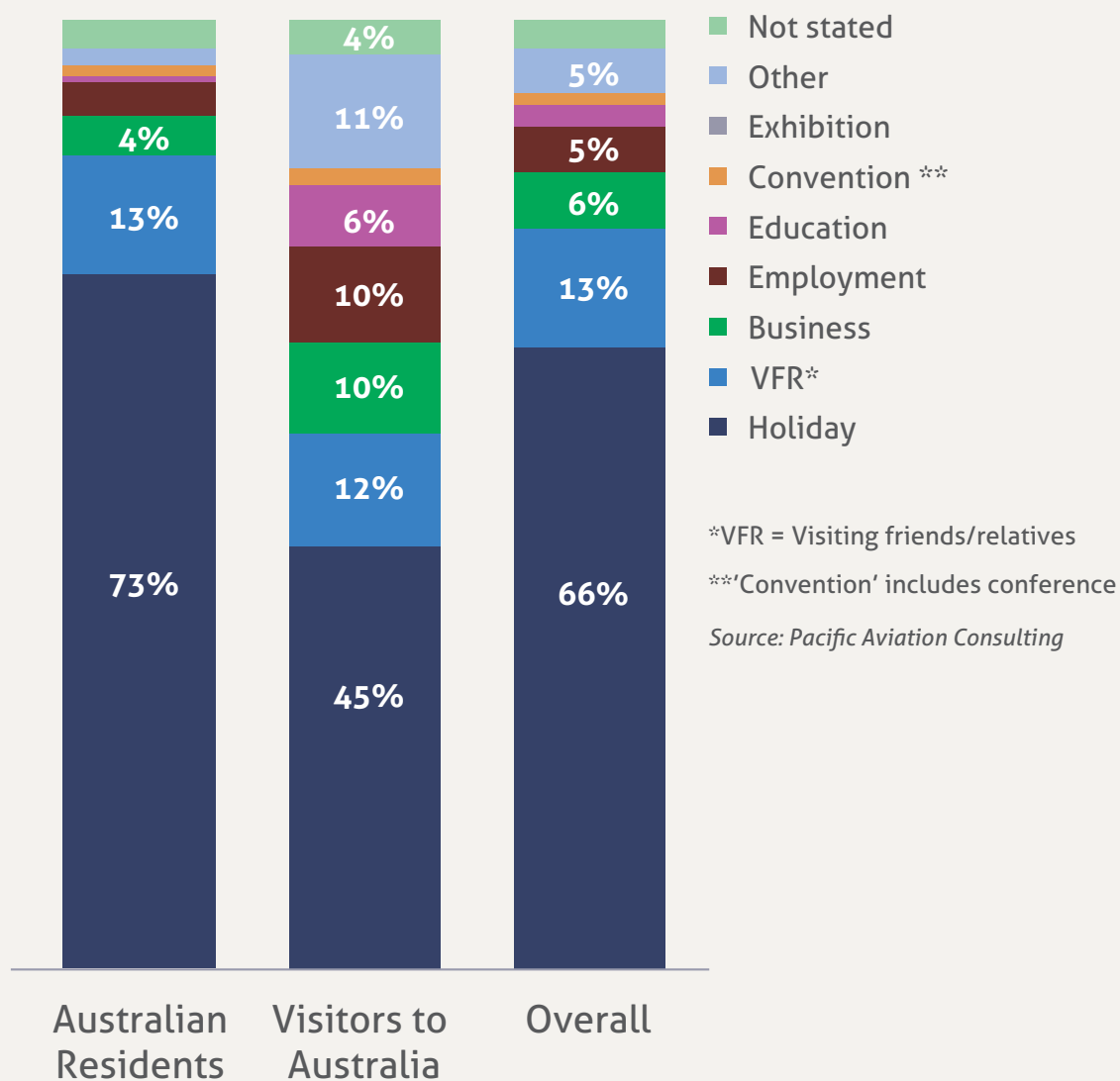
Over 2.2 million passengers travelled through DIA in 2011/12, with a 2% decrease in international passengers and 1% decrease in domestic passengers. Approximately 81% of passenger traffic was domestic with the remainder international.

The year proved to be challenging with a number of external factors impacting on passenger performance. The high Australian dollar and uncertain global economic conditions meant that inbound tourists declined, while Australians from southern cities chose to travel overseas rather than domestic destinations within the Northern Territory.

The decline in passenger volumes does however fall after five years of double digit compound annual growth in international traffic and domestic growth above the national average.

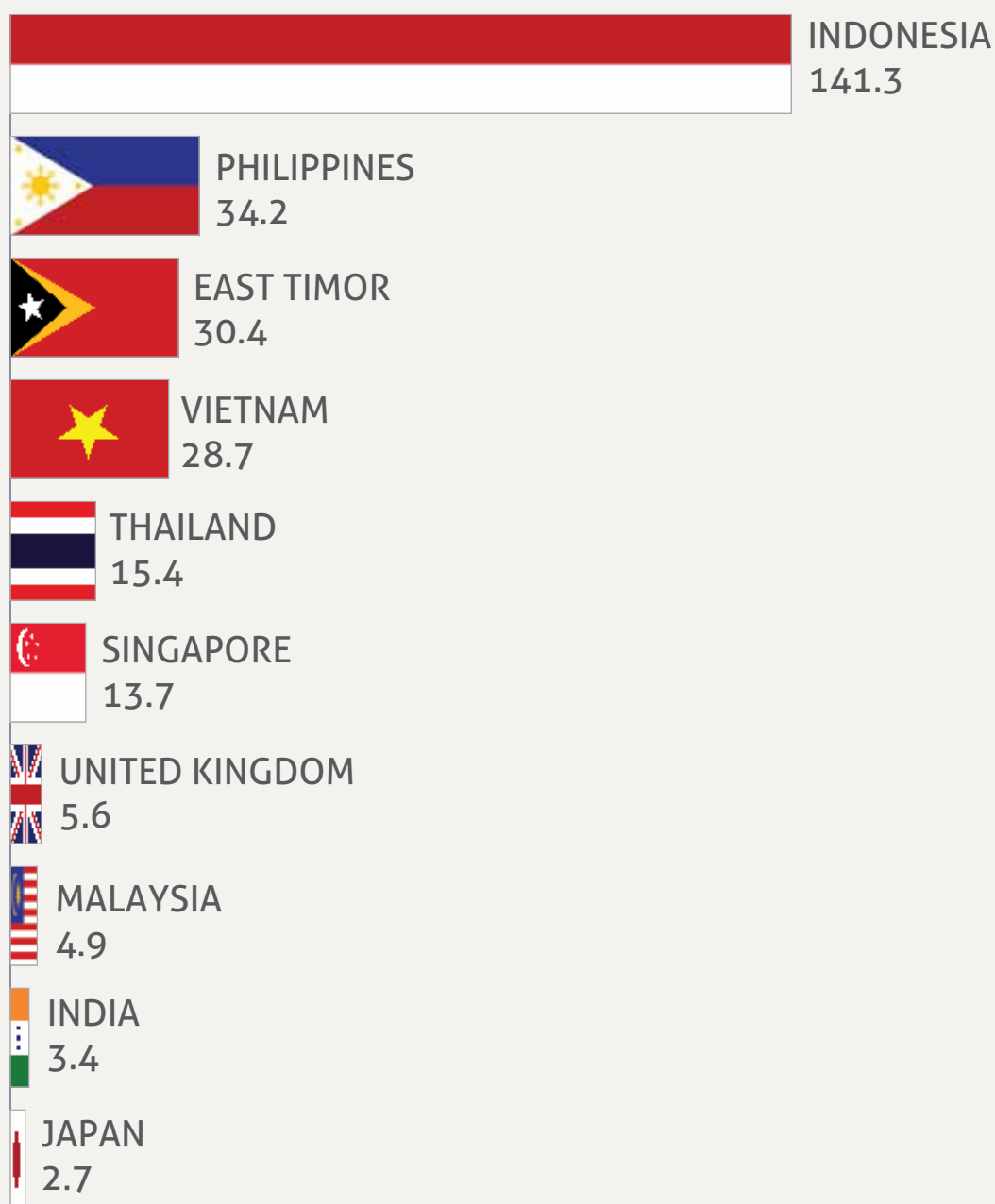
DARWIN AIRPORT - INTERNATIONAL PURPOSE OF TRAVEL, YE JUNE 2012

Percent of total market



TOP 10 INTERNATIONAL MARKETS FOR AUSTRALIAN RESIDENT TRAVELLERS* AT DARWIN AIRPORT, YE JUNE 2012

Thousands of Australian resident passenger movements

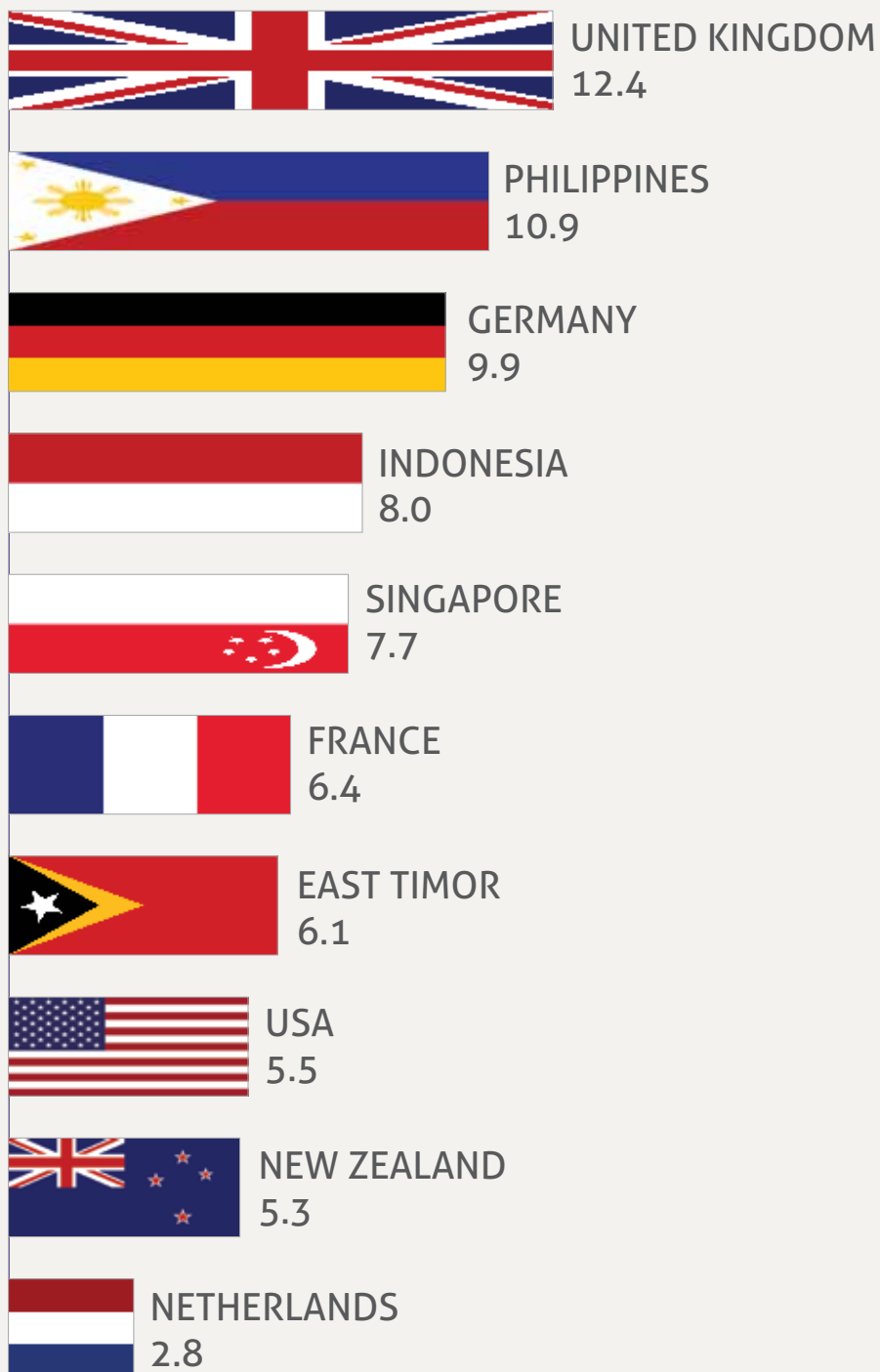


*Only includes travellers departing or arriving on international flights at Darwin Airport

Source: Pacific Aviation Consulting

TOP 10 INTERNATIONAL MARKETS OF VISITOR TRAVELLERS * AT DARWIN AIRPORT, YE JUNE 2012

Thousands of visitor passenger movements

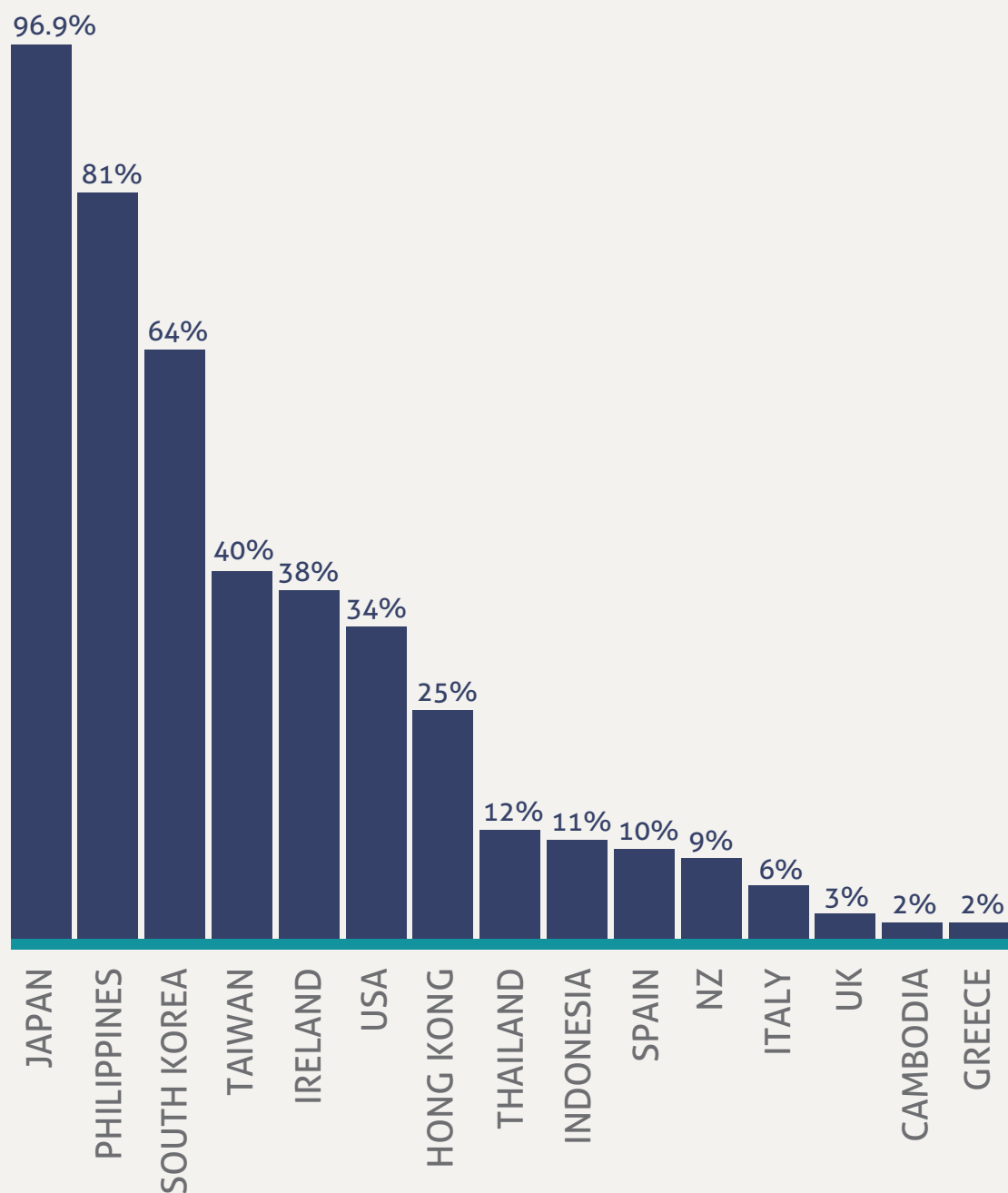


*Only includes travellers departing or arriving on international flights at Darwin Airport

Source: Pacific Aviation Consulting

TOP 15 FASTEST-GROWING INTERNATIONAL MARKETS* AT DARWIN AIRPORT - YE JUNE 2012 VS YE JUNE 2011

Percent year-on-year growth



Source: Pacific Aviation Consulting

AIRLINE & AIRPORT SERVICES

Alice Springs Airport

In the heart of Central Australia, ASA is the gateway to a range of iconic, natural and culturally significant tourist destinations. Located 14 kilometres South-East of Alice Springs, ASA is predominantly a domestic airport serviced by commercial passenger airline Qantas. It provides extensive commuter and general aviation services to remote communities, which are largely used by government, corporate and mine workers. ASA offers daily services or connections to all major Australian capital cities, making access from international markets convenient. Featuring a large runway and other quality infrastructure, the airport also has the capability to receive international carriers.

The year proved to be challenging at ASA, with the same external international factors impacting inbound tourism to Central Australia. Compounding this was the suspension of Tiger Airways' four weekly services from Melbourne. ASA reported a 9% decrease in passenger's numbers on the last financial year which has been attributed to the high Australian Dollar acting as a disincentive to tourism to the Red Centre.

Flights

- Qantas operated nearly 60 scheduled flights a week to Perth, Uluru, Adelaide, Melbourne, Sydney, Brisbane, Cairns and Darwin.
- Qantas operated additional supplementary services to Melbourne between Alice Springs from June to October.
- Tiger Airways did not recommence scheduled services in 2011/12.

Tennant Creek Airport

In the heart of the Barkly district, Tennant Creek is the major service centre for remote communities and the rich pastoral and mining industries in the region. Approximately 500 kilometres north of Alice Springs, Tennant Creek also has a strong Indigenous heritage.

Flights

- Hardy Aviation (Fly Tiwi) increased services from twice weekly to three times weekly in August 2011.

Airport Services

ADG is committed to providing outstanding customer services to our passengers and airport users by ensuring our facilities meet expectation and help achieve a positive airport experience. The activities of the Airport Services team include terminal retail (Duty Free, Specialty News/Gifts, Food and Beverage and other services), Ground Transport and customer experience.

The provision of these Airport Services is best delivered when having a sound understanding of what is a very diverse customer base all with quite unique requirements.



Food and Beverage Tender

In February 2012, ADG commenced a tender process for the food and beverage (F&B) operator at both DIA and ASA terminals given the upcoming expiry of the current F&B lease in mid-2012. ADG issued a Request for Proposal in March and announced a shortlist of 2 submissions in May.

As part of the final evaluation process a Challenge Panel was put together to review each proposal in a one day workshop. The panel included a selection of industry professionals, community and airport user representatives and the day was facilitated by an independent chairperson. A selection of DIA and ASA staff was also present to guide the panel and provide background information and context where required.

Each company presented their offers, brands, products and customer service elements following which, Panel members had the opportunity to ask questions, debate amongst themselves and provide their feedback to ADG.

The Challenge Panel was an interesting and useful aspect of the tender process. The feedback provided valuable insight and perspective from the wider airport community and was considered in conjunction with ADG's own evaluations and in light of the financial aspects.

The successful F&B operator will begin operating at DIA and ASA in early 2013.

Darwin Terminal Renovations

Significant work was undertaken on the first and ground floor of the DIA terminal last financial year to improve services, passenger flows and the amount of natural light into the terminal.

On the first floor, the international departures entry point and the liquid, aerosols and gases (LAGS) screening area was redeveloped in a 2 stage process. Stage 1 involved removing a retail outlet area to create a new spacious and modern entry point. The new space was completed in May 2012 and provides departing passengers a dedicated area to sort their belongings and queue without congesting the main terminal thoroughfare. Stage 2 involved the construction of a parent's room, a store room and a private passenger search room for LAGS Security Officers. The glass wall between the domestic and international lounges was also replaced with a sliding door increasing capacity for domestic travellers to board through the international lounge during peak periods. The swing lounge area was opened to passengers in June 2012.

On the ground floor, significant renovations were undertaken to redevelop the car rental and foreign exchange booths. These tenants now have a better working environment with significantly larger booths which are modern and more light filled due to the new windows installed to bring more natural light into the terminal. As part of the build, a set of automatic exit doors were also added to the main arrivals area to provide additional egress from the terminal as passenger numbers increase in future years.

AIRLINE & AIRPORT SERVICES

Ground Transport

Significant upgrades were undertaken in ground transport infrastructure to improve the customer experience during the 2011/12 financial year.

At the beginning of 2012 the covered walkway network at DIA was completed, providing customers with a fully lit and undercover footpath from the long term car park, rental vehicle car park and the bus and coach parking area to the eastern and western ends of the terminal.

In January 2012, DIA officially opened the new coach and bus parking area at the eastern end of the terminal as part of the \$4.5million ground transport upgrade package. The area now facilitates bus and coach service parking, drop off and pick in an organised environment and includes seating for passengers in an undercover waiting area.

A review of the express lane for drop off and pick up was carried out at DIA in light of the increasing vehicles and pedestrian traffic in the area. For safety reasons, a decision was made to restrict the lane for drop off traffic only with drivers encouraged to pick up passengers in the short term car park.

DIA provides all vehicles with 15 minutes free parking in the short term car park to facilitate this change without imposing charges on drivers.

ASA also completed several ground transport projects that improved the management of public parking. In 2011 the long term car park extension was completed providing an extra 92 bays. The short term car park as also completed which included extensions to the western public car park and the eastern hire car ready bays, increasing the number of bays from 206 to 267.

The western and eastern short term car park entry points were upgraded to include automatic boom gate operation. Car rental parking was relocated into a single facility dedicated to these operators. The new facility has streamlined the car rental hire and drop off processes at ASA.

A new operator also took over the provision of ASA Shuttle Bus services during the year. Local operator Alice Wanderer was the successful applicant commencing in February 2012. The new operator has successfully turned the operation around with a turnover growth of 51% from February to June 2012.





Darwin Terminal Expansion Project (TXP)

The expansion is the airport's biggest development over the past twenty years and importantly supports the future needs of the Darwin region with significant increase in capacity to handle additional aircraft and passengers that fly through our airport. The Terminal Expansion Project (TXP) will extend each end of the existing terminal to provide increased passenger facilities including check in, new boarding gates, larger Border Agency processing areas, commercial lounges and improved retail offerings.

This year the detailed planning and design phases continued and with changes to the footprint of the expanded terminal due to increased passenger forecasts, new commercial lounges and retail expansions required a minor variation to the originally approved Major Development Plan. The Federal Government granted approval in August 2011.

With ongoing and significant stakeholder consultation and involvement ranging from the Airlines through to the Border Agencies, the design was evolved to a stage whereby a tender for the construction was released to the market in mid April 2012. A number of smaller terminal related projects were commenced in the latter part of the year to make way for the expanded terminal footprint. It is expected that upon final design development, and assessment and negotiations with a builder is that the major construction works will commence in April 2013.

AIRPORT OPERATIONS

Operations Overview

Management of airport operations is crucial to ADG'S commitment of providing a safe and secure environment for airport users. The complex and diverse range of terminal activities pose an array of challenges and rewarding experiences for our operations teams.

Financial year 2011/12 included an increased focus on safety with calendar year (CY) safety targets specific to operations introduced in 2012. DIA Operations continues to improve its Airside Safety Management System and the accident/incident/hazard reporting culture.

Other aircraft safety measures include the installation of Safegate Nose in Guidance Systems at DIA on Bay 3 in October 2011 and Bay 4 in March 2012. The measure has increased safety for aircraft arrivals and provides records of docking activities.

DIA increased the number of Foreign Object Debris (FOD) walks with Qantas and campaigned to encourage staff from other DIA divisions and stakeholders to be involved. The result has seen an increased awareness of FOD and decreased the amount of potentially dangerous FOD collected on each walk. ASA conducted two formalised FOD walks on the Apron. These were attended by airport staff, Aviation Rescue and Fire Fighting personnel, Qantas and Aerocare.

Communications between operations and stakeholders continued to be a priority to facilitate better information sharing between the airport and our on airport operators. Fortnightly catch up's have been introduced between DIA Operations and Customs and Border Protection agencies.

In November 2011, DIA worked very closely with the Australian Defence Force and the United States

authorities to facilitate the arrival of the President of the United States and Air Force One to Darwin. The event proved to be an eye opening experience for NTA's Operations team in assisting to manage and maintain strict levels of safety and security measures.

As a joint user facility, DIA continued to liaise regularly with the RAAF Base Darwin and in particular engage with the Base on land use planning and associated potential impacts on airport operations.

In ASA, regular Apron Safety Meeting and Aviation Security Consultative Forum meetings were held and minutes distributed for those who could not attend in person.

Emergency Exercises

As part of ADG'S emergency planning, table top and field exercises are carried out each year to test and review the response, facilities and communications between our airports and local emergency services.



In 2011/12 ADG facilitated the following emergency exercises:

Emergency Exercise	Darwin International Airport	Alice Springs Airport
Table Top Exercise Hazmat Rhino – July 2011 Involved both civil and military responses. The scenario was based on a Defence fighter aircraft crashing on airport with resulting damage to a civil passenger jet.	X	
Field Exercise Hazmat Rhino – October 2011 Carried out on Taxiway E2 approximately 30 volunteer passengers enacted the scenario. The exercise was carried out with participation from the RAAF, Airservices Australia Firefighters, Australian Federal Police, Northern Territory Police, Fire and Emergency Services, St John's Ambulance and Australian Red Cross.	X	
Table Top A380 Facilitation NTA and participating airlines and ground handlers operating at NTA reviewed the capability for DIA and ASA to handle an A380 diversion at either terminal.	X	X
Airport Emergency Plan Familiarization – November 2011 and March 2012 Airport Emergency Plan are less formal familiarisations that are held to engage the airport community and inform them of the roles and responsibilities of their own and different response agencies.	X	
Exercise Met Jet 2011 – December 2011 This exercise was designed to testing the airports passenger reconciliation procedure. The exercise was conducted in conjunction with Qantas as the participating airline and included participation by Northern Territory Police and the Australian Red Cross.		X
Terminal Evacuation Exercise – March 2012 This exercise involved an evacuation of the main Terminal at DIA.	X	
Fire Drills Monthly fire drills including resting terminal and office building alarms.	X	X

AIRPORT OPERATIONS

In 2011/12 ADG activated the following emergency plans:

Emergency Exercise	Detail	Darwin International Airport	Alice Springs Airport
Cyclone Plan	DIA convened the Cyclone Committee in response to a Bureau of Meteorology Cyclone Warning in December 2011 and in response to a Tropical Low in March 2012.	X	
Bush Fire Prevention	Controlled burning on airport land to reduce the risk of intense fires.	X	X



Bird and Animal Hazard Management System

ADG implements a comprehensive Bird and Animal Hazard Management System (BAHMS) and remains committed to understanding and reducing the wildlife strike risk at our airports.

Initiative	Darwin International Airport	Alice Springs Airport
Forward-Looking Infrared hand held unit (FLIR) <p>DIA Operations staff experimented with this new technology which allows the user to see birds at night. Following experimentation it was determined that the best use of the FLIR would be to employ a team of people to undertake bird observations at night with an ornithologist.</p> <p>This will be conducted in 2012/13 and a vehicle mounted system will be used for Operations Officers to improve their night vision, and visibility of birds at night, whilst driving.</p>	X	
Pilot Education <p>To improve pilot understanding of the bird strike issue at DIA NTA Environment Manager and DIA Operations Manager presented 'Bird and Animal Hazard Management – What Pilots Can Do' at the Chief Pilots Meeting in September 2011. This presentation was then presented to a larger pilot audience at the Avsafety seminar in October 2011.</p>	X	X
Wild Dog Management <p>DIA liaised with the regional land managers on wild dog movements following an increase in the public nuisance that these dogs caused. Monitoring and trapping continued by DIA.</p>	X	
Off airport Surveys <p>Off-airport bird surveys at water bodies and waste disposal areas within an appropriate 5km radius of the airport continued to provide a better understanding of bird behaviour and movements in the region and determine whether such knowledge could be used to develop pre-emptive approaches to reducing the frequency of bird/ aircraft strikes.</p>	X	

AIRPORT OPERATIONS

Initiative	Darwin International Airport	Alice Springs Airport
Bird Identification handbook A revised handbook was developed to assist operational staff with on-ground identification of birds and mammals that are high risk strike species, as well as some potential risk species, with a particular focus on difficult to identify species.	X	X
Local Awareness and Education NTA Environment Manager presented on bird and animal hazard management to the DIA Community Consultation Group and the Planning Coordination Forum.	X	
National Awareness and Education NTA Environment Manager presented at the Australian Airports Association Technical Conference in November 2011 on the 'New Innovations in Wildlife Management – What we do for Bird and Animal Hazard Management at NT Airports'.	X	X
International Awareness and Education NTA Environment Manager presented at the International Bird Strike Committee Conference held in Stavanger, Norway on the 'Future development of mitigation of bird hazard to aircraft-an airport perspective' in June 2012. These conferences and workshops are instrumental in sharing lessons learned and ensure that NTA keeps up to date with the available management tools.	X	X
Internal processes and procedures Internal bird and animal hazard management procedures were reviewed and amended to reflect the EMS procedure template.	X	X



Airside Works

From December 2011 to May 2012 ASA undertook a major capital works program to complete an Apron Overlay in conjunction with asphaltting and resealing the General Aviation Apron and Commuter Apron. The \$8.5 million program was completed on time and on budget and included an upgrade of taxiway fillets, widening of the taxiway, new airfield lighting, installation of new underground cabling and floodlighting and the addition of a new ground servicing equipment storage area. Over the past 3 years major maintenance has been carried out on 80% of the ASA's runways, taxiways and aprons which will ensure only minor maintenance works will need to be carried out over the next 5 years.

We continue to have strong working relationship with the Department of Defence at DIA to maintain airside facilities, runways and taxiways. While no major capital expenditure projects were undertaken in the last financial year, pavement maintenance works were carried out under the National Airfields Maintenance Projects program.

Equipment and Services

Darwin International Airport

DIA introduced baggage tub stackers at the check in counters in September 2011. The new tubs are a workplace health and safety initiative for airline staff working in this area and an operational improvement to the baggage handling system.

In July 2011, Qantas installed their Radio Frequency Identification Device (RFID) baggage tracking system at DIA. The system allows the airline to track passenger's luggage faster. The installation has allowed for more efficient baggage handling operations in Darwin. Qantas also installed an additional two kiosks for passengers at DIA in November 2011.

Alice Springs Airport

Q readers were installed in the terminal at Alice Springs by Qantas in March 2011 providing ease of check in for business and Qantas Club travellers.

AIRPORT OPERATIONS

Airport Security

ADG'S Security Team works collaboratively with the airport community to balance a positive passenger experience through the airport security process while ensuring the airport environment meets all regulatory security requirements. Our Joint Security Risk Register is being progressed by our Airport Security Committee which includes involvement from all relevant government agencies and major airlines. This is an important process looking into the future, as the face of security at airports throughout the country will continually evolve to address emerging threats and risks.

While the team is predominantly focused on maintaining airside and landside security, during 2011/12, the new process and equipment were introduced involving the education of both the airport community and the general public on the practices. For example, the transit screening process changed on 1 July 2012, meaning significant work in installing and educating users and passengers prior to the first day of operation. The new process introduces multi view x-ray which allows for the screening of bottled liquids, previously confiscated by security personnel due to the inability of effective scanning of such items.

To achieve cohesive and proactive security outcomes, the ADG Security Team has developed close working relationships with the local police authorities including the Australian Federal Police and the Northern Territory Police (NT Police), Border Agencies, the Government regulator - the Office of Transport Security and contracted security personnel, who conduct passengers and checked baggage screening and security checks at airside access points. During the 2011/2012 financial year, ADG has also developed a good working relationship with the Department of Immigration in light of the large number of immigration charter flights.

In February 2012, the AFP withdrew their presence from ASA following the removal of ASA from the Designated Airport list and being reclassified as a Class 3 Airport. As a result the ASA security team has worked with the NT Police to build their knowledge and capability to provide police support at the airport.

In the wider industry, ADG Security is proudly contributing to the research and development of future airport security practices. DIA is amongst several airports participating in the Airports of the Future Program (AOTF), a multi-disciplinary international collaborative research project that explores the complexity of modern airports and addresses conflicts between aviation security and the passenger experience. This is an exciting and important project as it draws upon diverse strengths through a university-industry-government partnership to develop tools to manage airport effectiveness and balance conflicting security, economic and passenger-driven pressures.

ADG is also involved with the Aviation Security Screening Forum which is an avenue for discussion and information sharing on aviation security screening policy and on practices around human factors. Specific items the forum looks at in depth include: the screener vocation, screener performance measurement, front line challenges for screening officers and screening point behavior analysis.

PROPERTY

Project Jupiter

On-airport police operations at DIA are carried out by the Australian Federal Police (AFP) and include Counter Terrorism First Response activities, Community Policing and Boarder Control. The Project Jupiter program is a \$200 million Federal Government initiative to strengthen security at Australian airports through the construction of purpose built infrastructure that support AFP activities. During 2011/12 an AFP Aviation Operations Centre and an AFP Canine Kennel and Training Facility were completed at DIA as part of the Project Jupiter program. DIA was responsible for the build of the two facilities and handed them over to the AFP for fit out once practical completion was reached.

ADG developed both facilities in a newly created AFP Development Site Trust, which was specifically created for the development and funding of non-aviation assets.

The build was project managed internally and completed on time and on budget. The sites have provided DIA with flow on benefits due to the infrastructure put in place for the builds and the activity they will provide to otherwise underutilised areas of the airport. Significantly, the Operations Centre has supported the provision of services to 10 future development sites in the eastern General Aviation area.

AFP Aviation Operations Centre

The AFP Aviation Operations Centre provides an increased law enforcement capability at DIA including an Emergency Operations Centre, Police Forward Command, muster rooms and training facilities, as well as purpose-built gymnasiums and operational safety training facilities for members. The building also features exhibit handling facilities, holding rooms and interview rooms. The building has been designed in accordance with the AFP's requirements to be environmentally friendly and includes water tanks that have been installed for rainwater collection, allowing its re-use for irrigation and toilet flushing.

AFP Canine Kennel and Training Facility

Darwin's Canine facility is one of nine AFP canine facilities to be opened at major airports across Australia as part of Project Jupiter. The new facility features overnight kennels, isolation kennels, day runs, and a vet treatment room and agility yard. The facility has been designed in accordance with the AFP's requirements to be environmentally friendly, including natural ventilation for kennel areas and zoned cooling systems.

AXIS 12° 130°

The vision of AXIS 12o 130o is to integrate first-class commercial, retail, entertainment and leisure facilities that showcase the latest trends in office space design, retail amenities and public entertainment options. Under DIA's Master Plan, the AXIS 12o 130o precinct has been approved for use as a dynamic entertainment precinct with facilities including a family entertainment centre with bowling and laser skirmish, a cinema, a climbing wall and children's play land as well as a petrol station and drive through fast food outlet.

In April 2012, the ADG Board approved the business case for the development of the Family Entertainment Centre under operators Ardent Leisure, formally Macquarie Leisure, who are an Australian leader in developing family entertainment facilities. The proposed location for the Centre is in the middle of the AXIS 12o 130o precinct to act as an anchor and draw card for future prospective tenants to the airport's entertainment precinct. This exciting project is targeting completion end at the end of the 2013 financial year.

Airport Lodge

The third stage of Airport Lodge was completed last financial year following which, the Operator entered into a periodic agreement with the Department of Immigration. During the 2011/12 financial year Airport Lodge operated at 100% capacity housing low-risk immigration detainees.

Hangar Site Development

Two hangar sites were approved for development at ASA in February 2012, with one of the sites to be the Central Australian base for the NT Police Air Wing. In addition to the hangar structure, construction will include airside pavements, an onsite office and car parking for 4 cars. Construction is due to commence in September 2012 and completed by December 2012.

Alice Springs Air Park

Plans for the development of an Air Park at ASA continued to progress in 2011/12. Asia Pacific Aircraft Storage (APAS) will manage the operations of the facility into the future and worked with ADG to provide feedback on the design of the Park. Construction on the 100 hectare land parcel will commence in late 2012.

Kilgariff

Kilgariff continues to be a worthwhile opportunity for ADG and both the Northern Territory Government (NTG) and Federal Government have maintained their commitment and support for development. A discussion paper on the way forward was tabled with the NTG which is due to be discussed in greater detail during 2012/13.

FINANCIALS



FINANCIALS

Key Financial Highlights

ADG generated total revenue of \$90 million in 2011/12, representing an increase of 7% on the previous financial year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 11% to \$54.2 million on the previous financial year.

Aeronautical revenue was the main contributor to the increase in revenue in dollar terms (\$3.9 million higher than the prior year), particularly due to the scheduled adjustment in passenger facility charge rates.

Property revenue also performed strongly (14.6% higher than the prior year), generally across all types, including completion of stage three of the Lodge hotel and resort in June 2011.

Trading revenue was slightly improved (3.4% higher than the prior year) impacted by the lower passenger traffic.

	2008	2009	2010	2011	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME STATEMENT					
Revenue					
Aeronautical	44,871	47,816	50,544	54,546	58,430
Trading	8,050	10,656	11,968	13,583	14,040
Property	7,787	8,930	9,477	10,455	11,983
Other income	4,040	4,217	4,307	5,494	5,814
Total Revenue	64,748	71,619	76,296	84,078	90,267
Operating Expenses	28,534	30,648	31,398	35,183	36,066
EBITDA*	36,214	40,971	44,898	48,895	54,201
Margin	55.9%	57.2%	58.8%	58.2%	60.0%
Increments/(decrements) in fair value of investment properties	16,933	23,648	8,010	(7,790)	(3,895)
Net gain on interest rate swap contracts	1,004	347	(2,487)	45	(7,183)
Depreciation and amortisation	(10,079)	(11,213)	(11,939)	(12,430)	(12,842)
Impairment expense - infras tructure assets	(283)	(2,321)	14	(86)	15
Finance costs	(11,842)	(14,644)	(17,085)	(16,916)	(17,503)
Net Profit/(Loss) Before Tax	32,307	36,788	21,411	11,718	12,793
Income Tax (Expense) Benefit	(9,705)	(10,898)	(5,725)	(3,554)	(3,594)
Net Profit/(Loss) After Tax	22,602	25,890	15,686	8,164	9,199

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

FINANCIALS

SOME NOTEWORTHY ASPECTS

- Revenue - \$90 million (last year \$84.0 million) an increase of 7%
- Earnings before interest, tax, depreciation and amortisation - \$54.2 million (last year \$48.8 million) an increase of 11%
- Net profit before tax \$12.8 million (last year \$11.7 million) an increase of 9%
- Decrease in the fair value of investment properties - \$3.9 million (last year \$7.7 million)

Aeronautical income has experienced moderate growth despite the decline in overall passenger numbers. Growth has come from the rate increases in accordance with the airline pricing agreement.

Trading revenue has experienced moderate growth with car rental increasing by 5% and carparking increasing by 21% due to the full year operation of new car parks.

Non aeronautical income has experienced excellent growth with other buildings increasing by 11% and commercial buildings rental and trading increasing by 21%

CASH FLOW

Net cash flows from operating activities - \$33.1 million (last year \$25.4 million)

After funding capital expenditure cash balances decreased by \$1.7m to \$19.9m (last year \$21.6 million).

BALANCE SHEET year end 30 June 2012

	2010 \$'000	2011 \$'000	2012 \$'000
Cash	22,123	21,668	19,888
Total Assets	399,858	394,086	393,284
Interest Bearing Liabilities	211,207	227,167	239,708
Total Liabilities	280,463	294,825	310,625
Total Equity	119,395	99,261	82,659

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

- A decrease in cash as noted above.
- A decrease in the fair value of Investment Properties of \$3.9 million
- A decrease in the market to market value of the SWAP transactions.

INTEREST RATE MANAGEMENT

The consolidated entity refinanced its total debt facility in October 2011. The new facilities has been split with \$170m due to expire 21 Oct 2014 and \$180m due to expire on 21 Oct 2016.

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

Interest charged is calculated using the bank bill rate plus a margin dependent on the interest cover ratio.

ANNUAL REPORT FOR THE 12 MONTHS TO 30 JUNE 12

The Annual Report for the 12 Months to the 30 June 2012 comprises:

- directors report
- auditors independence declaration
- financial report
- directors declaration
- independent auditors report to members

A copy of the report is available from the company's website at www.ntairports.com.au. Alternatively, a copy can be obtained from Darwin International Airport Pty Ltd.

FAST FACTS

FINANCIAL YEAR ENDING	2008	2009	2010	2011	2012
PASSENGERS:					
DIA	1,813,000	1,998,000	2,140,000	2,287,000	2,254,000
ASA	630,000	676,000	681,000	638,000	578,000
TOTAL	2,443,000	2,674,000	2,821,000	2,925,000	2,832,000
LANDED TONNES:					
DIA	822,000	845,000	905,000	955,000	931,000
ASA	243,000	243,000	245,000	240,000	226,000
TCA	4,000	4,300	5,000	6,000	6,000
TOTAL	1,069,000	1,092,300	1,155,000	1,201,000	1,163,000
AERONAUTICAL CHARGES (ex GST):					
Passenger Facilitation Charge (\$/pax) **					
DIA	6.90	7.07	7.42	7.49	8.70
ASA	5.57	5.71	5.99	6.17	8.11
TCA	n/a	n/a	n/a	n/a	n/a
Airport Services Charge (\$/pax) **					
DIA	6.52	6.69	7.02	7.23	7.45
ASA	6.78	6.94	7.28	7.50	7.72
TCA	18.00	18.00	18.00	18.00	18.00
Landing Charge General Aviation \$/MTOW **					
DIA	19.50	20.00	20.50	21.63	22.28
ASA	19.50	20.00	20.50	21.63	22.28
TCA	23.00	23.00	23.00	23.69	24.40

FINANCIAL YEAR ENDING	2008	2009	2010	2011	2012
REVENUE \$000s ***					
DIA	43,767	48,741	52,444	60,224	64,797
ASA	13,180	14,348	16,086	15,152	15,165
TCA	313	394	161	210	198
Other	(37)	(23)	70	134	32
TOTAL ADG	57,223	63,460	68,761	75,720	80,192
AFP trust				0	1,407
Total all entities				75,720	81,599
EBITDA \$000s					
DIA	27,267	30,967	33,577	38,054	43,224
ASA	8,855	9,808	11,315	10,903	10,967
TCA	92	158	(126)	(260)	(93)
Other	0	38	132	198	103
TOTAL ADG	36,214	40,971	44,898	48,896	54,201
AFP TRUST				(792)	1,264
TOTAL ALL ENTITIES	36,214	40,971	44,898	48,103	55,465

FAST FACTS

FINANCIAL YEAR ENDING	2008	2009	2010	2011	2012
NET PROFIT BEFORE TAX					
DIA	17,402	15,748	3,194	2,657	16,474
ASA	1,629	9,559	11,309	1,346	(895)
TCA	(201)	148	(137)	(371)	(105)
Other	13,477	11,333	7,044	8,087	(2,681)
Total ADG	32,307	36,788	21,410	11,719	12,793
AFP Trust	0	0	0	(205)	6,343
Total all entities	32,307	36,788	21,410	11,514	19,136
CAPITAL EXPENDITURE \$000s					
DIA	11,156	18,742	10,639	8,719	9,648
ASA	5,752	10,782	1,508	3,359	10,142
TCA	199	10	14	102	16
TOTAL ADG	17,107	29,534	12,161	12,180	19,806
AFP Trust				6,343	6,370
INVESTMENT PROPERTY MOVEMENT IN FAIR VALUE					
DIA	15,907	14,814	(1,792)	(7,751)	(793)
ASA	1,026	8,834	9,802	(39)	-3,102
TOTAL ADG	16,933	23,648	8,010	(7,790)	(3,895)
AFP trust	-	-	-	-	5,589
Total all entities	16,933	23,648	8,010	(7,790)	1,694

FINANCIAL YEAR ENDING	2008	2009	2010	2011	2012
AIRPORT DEVELOPMENT GROUP					
Cash	12,697	13,045	22,123	21,668	19,888
Total assets	352,079	382,475	399,858	394,086	393,284
Interest Bearing Liabilities	175,650	203,205	211,207	227,167	239,708
Total Liabilities	245,380	264,465	280,463	294,825	310,625
Total Equity	106,699	118,010	119,395	99,261	82,659
Net cash from operating activities			25,250	25,384	33,053
AFT TRUST					
Cash				13	1,177
Total assets				7,507	20,148
Interest Bearing Liabilities				5,115	12,178
Total Liabilities				7,712	14,009
Total Equity				(205)	6,138
Net cash from operating activities					
EMPLOYEES					12,793
DIA	58	61	66	74	73
ASA	13	13	13	12	14
TCA	1	1	1	1	1
TOTAL ADG	72	75	80	87	88

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

