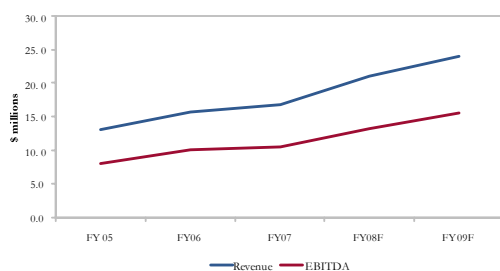


This Information Memorandum is issued by the Government of the State of Tasmania (the **State**). The terms on which this Information Memorandum is made available to the Recipient are set out in Appendix D to this Information Memorandum and the Confidentiality Deed executed by the Recipient (**Terms of Issue**). If you do not agree to be bound by and comply with the Terms of Issue, you must immediately return this Information Memorandum to Lazard Carnegie Wylie (**LCW**) and not use it for any purpose.

INVESTMENT SNAPSHOT

PRIMARY GATEWAY TO TASMANIA	<ul style="list-style-type: none"> ■ Capital City Airport ■ Tasmania’s primary tourist and business gateway
STRONG EARNINGS GROWTH	<ul style="list-style-type: none"> ■ From FY05 to FY09F revenue is forecast to increase at an annual average rate of 18% ■ FY09F EBITDA of \$15.5 million predominately from existing expansion and property development projects ■ Scope for higher earnings from synergies and alternative strategies for acquirer ■ Longer term growth from significant property development upside
LAND DEVELOPMENT OPPORTUNITIES	<ul style="list-style-type: none"> ■ Major developments already in progress ■ Substantial additional land (180ha) available for development ■ Situated in rapidly developing commercial area
STRONG CASH FLOW	<ul style="list-style-type: none"> ■ Good profitability and margins ■ Cash flow supports ongoing business development
STRONG GROWTH IN PASSENGERS	<ul style="list-style-type: none"> ■ Passenger growth has averaged 12% p.a. since 2003 ■ Passenger growth has averaged 6% p.a. over past 20 years ■ Further upside potential
INFRASTRUCTURE	<ul style="list-style-type: none"> ■ Terminal redevelopment largely complete to cater for current and future needs ■ Major infrastructure in good condition, minimal capex
WELL DEFINED REGULATORY ENVIRONMENT	<ul style="list-style-type: none"> ■ Operates under Commonwealth planning scheme ■ No price regulation ■ Long-term lease of up to 90 years remaining
STRONG MANAGEMENT	<ul style="list-style-type: none"> ■ Experienced management team ■ Proven track record

STRONG FINANCIAL PERFORMANCE



CONTINUED PASSENGER GROWTH

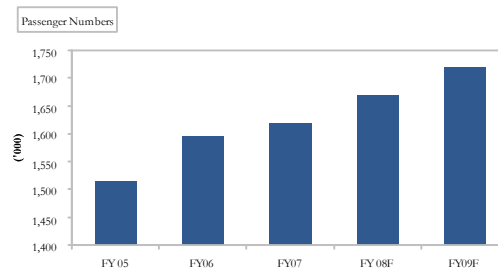


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1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

On 7 June 2007, the Government of Tasmania (the **Government**) announced its intention to divest Hobart International Airport Pty Ltd (**HIAPL**) which owns the assets and business of, holds the long term lease over and operates Hobart International Airport (**Hobart Airport** or the **Airport**).

HIAPL is a wholly owned subsidiary of the Tasmanian Ports Corporation Pty Ltd (**Tasports**), a State-owned company operating under the *Corporations Act 2001 (Cth)* and the *Tasmanian Ports Corporation Act 2005 (Tas)*. It is intended that a purchaser will acquire the State's interest in Hobart Airport through the acquisition of all the issued shares in HIAPL. The State is managing the sale process.

As a result of a combination of factors, including its location, growth outlook and opportunities to improve earnings, HIAPL represents an exceptional investment opportunity.

1.2 OVERVIEW OF HOBART AIRPORT

Hobart Airport is Tasmania's principal airport and serves the State's most populous city. The Airport has operated on the same site for more than 50 years and has well established infrastructure links providing convenient access to the City of Hobart, located approximately 17 kilometres to the west of the Airport. The Airport has facilities to operate both domestic and international services. The potential for growth is supported by the Airport's curfew free operations and significant real estate available for commercial development.

The Airport currently services three key passenger airlines: Qantas, Jetstar and Virgin Blue. These airlines carried approximately 1.6 million passengers in the year ended 30 June 2007. The Airport has experienced strong growth in passenger numbers, which have increased at an average of 6% per annum over the last 20 years and 12% per annum since 2003.

HIAPL has substantially completed a \$26 million redevelopment of the Airport's passenger terminal and related facilities. Stages 1 and 2 of the development were completed in August 2007 and include Tasmania's only full-screening of checked baggage. The final stage is expected to be completed in 2008 following completion of negotiations with Qantas. The redevelopment has increased capacity by over 30%.

The Airport includes approximately 570 hectares of land, of which 180 hectares are, subject to obtaining necessary approvals under the *Airports Act 1996 (Cth)*, suitable for commercial development. A \$100 million Direct Factory Outlet (**DFO**) is in the final stages of planning approval and a hotel/motel, caravan park, fuel retail outlet and child care centre are due to commence construction in October 2007. These developments are to be constructed over 25 hectares with the DFO taking up to 17 hectares of this area. These developments and the associated infrastructure are expected to attract further commercial tenants to the Airport site in the future.

1.3 KEY OPERATING AND FINANCIAL INFORMATION

Summary operating statistics and financial information for HIAPL for the financial years (FY) ended 30 June 2005, 30 June 2006 and 30 June 2007 (FY05, FY06 and FY07) and management's forecasts for the years ending 30 June 2008 (FY08F) and 30 June 2009 (FY09F) are provided below. The historical information has been adjusted to remove one-off and non-recurring events, as detailed in section 7.8, to provide a more suitable basis for comparison with the forecasts.

SUMMARY OPERATING STATISTICS (FY05 TO FY09)

	FY05	FY06	FY07	FY08F	FY09F
Passengers ('000)	1,515	1,595	1,620	1,669	1,719
Aircraft movements	21,630	19,578	18,690	18,877	19,066
Utilised commercial area (hectares) ¹	16	17	18	29	46
Terminal retail outlets	4	4	4	6	6
Car park spaces ²	540	710	1,116	1,420	1,570

1. Includes associated roads and carparks

2. Car park spaces includes valet car park

SUMMARY FINANCIAL INFORMATION (FY05 TO FY09)

\$ '000	FY05	FY06	FY07	FY08F	FY09F
Revenue	13,146	15,737	16,833	20,952	23,997
EBITDA	8,012	10,103	10,522	13,288	15,521

The forecasts provided in this Information Memorandum have been prepared by HIAPL management on a "business as usual" basis under current State ownership, except for limited adjustments which have been identified by management, and are detailed in section 8.8. As such, many of the upside opportunities that are identified in this Information Memorandum are not reflected in the forecasts. A number of opportunities provide potentially significant upside to the stated forecasts, including:

- Passenger growth in excess of 3% per annum, which is conservative relative to recent performance and does not include the potential introduction of new airlines (such as Tiger Airways) and routes (domestic and international);
- Development of HIAPL's significant land bank, which provides an area of 180 hectares of land in a location where suitable developable land is becoming increasingly scarce;
- Car park expansion and development;
- Increases in various charges, such as car parking, which are low relative to many Australian airports; and
- Cost savings and other synergies that may be available to a new owner of HIAPL.

Further information on HIAPL's historical and forecast financial performance, including the basis of preparation and key assumptions, is provided in section 7.

1.4 INVESTMENT HIGHLIGHTS

■ **Iconic Position as Primary Gateway to Tasmania**

Hobart Airport is the primary gateway to Tasmania for tourists and business travellers. Hobart is the State's largest city and capital, home to over 40% of Tasmania's population and the State Government, and is the State's business and commercial centre.

Tasmania is currently experiencing unprecedented investment in tourism and commercial activities, driven by significant additional airline capacity and infrastructure investment.

■ **Strong Growth in EBITDA**

HIAPL management are forecasting EBITDA growth of 26% in FY08 and 17% in FY09 driven by the benefits of recent capital expenditure on the terminal redevelopment, the DFO project and other current property developments. A significant amount of this capital expenditure has already been spent by HIAPL with the benefits accruing to a new owner. There exists a number of potential upsides for a new owner to drive further EBITDA improvement.

■ **Substantial Property Development Potential**

HIAPL has approximately 180 hectares of land available for commercial development. This is in addition to the area expected to be leased for the development of one of Australia's largest DFOs (up to 17 hectares), and a further eight hectares encompassing the areas that have been leased for a hotel/motel and caravan park, a fuel retail complex with associated convenience store, fast food outlet and car wash and a child care centre.

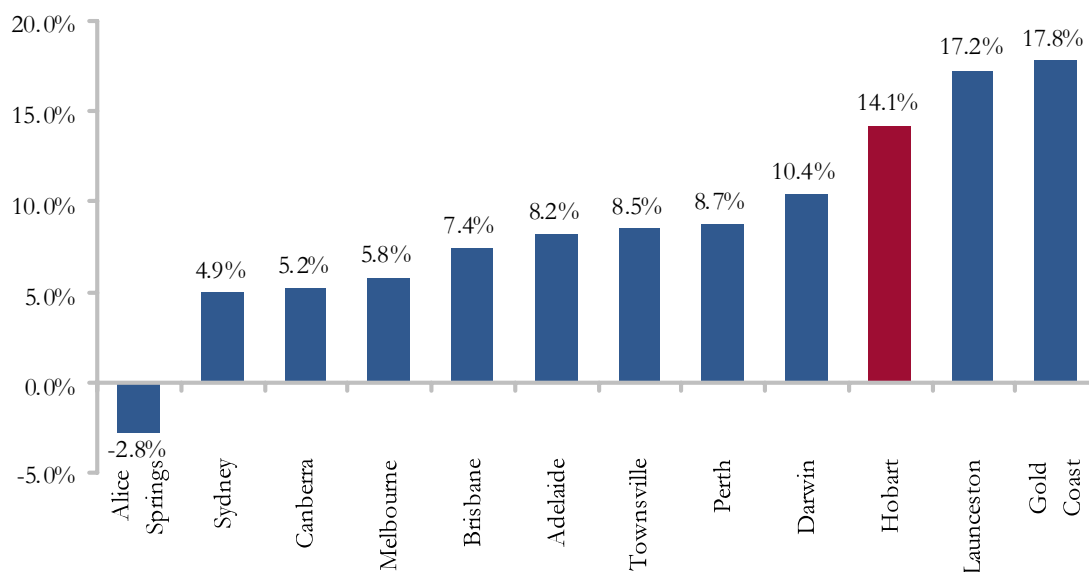
These developments, together with large scale industrial, retail and commercial developments adjacent to the Airport, the associated upgrade of infrastructure and the attractions of HIAPL's flat land and planning environment, are expected to attract further commercial tenants. Demand for first class property in the area is increasing significantly and suitable vacant land is becoming scarce, as evidenced by the considerable commercial and residential development in the surrounding suburb of Cambridge.

A new owner of HIAPL is likely to have greater financial flexibility to progress commercial developments than HIAPL has historically had under State ownership.

■ **Strong Growth in Passenger Numbers**

Hobart Airport has experienced strong growth in passenger numbers, particularly since low cost airlines commenced flights from 2002. Average annual growth in passenger numbers has been 6% over the last 20 years and 12% since 2003. Hobart Airport's recent growth relative to other Australian airports is illustrated below.

PASSENGER NUMBER GROWTH AT AUSTRALIAN AIRPORTS CAGR FY04-06



Source: Airport annual reports

A number of factors are expected to contribute towards continued strong passenger growth, including the introduction of a new carrier (such as Tiger Airways), new routes (domestic and international) and the increasing attractiveness of Tasmania as a tourist and business destination.

■ Potential to Increase Non-Aeronautical Earnings

HIAPL's earnings contribution from non-aeronautical activities is currently low relative to many other Australian airports. There are a number of opportunities available to increase earnings from activities such as property, retail, car parking and car rental.

■ Major Terminal Redevelopment Largely Complete

HIAPL has completed stage 1 (car rental and departure lounge development) and stage 2 (check-in hall and checked baggage screening facility) of its \$26 million terminal redevelopment. Stage 3 (Qantas arrivals / lounge refurbishment) is under negotiation with Qantas. The redevelopment has resulted in a larger, modern terminal facility with increased retail concessions, expanded departures lounge, new check-in hall and improved security including checked bag screening (which will be mandatory at most Australian Regular Public Transport (RPT) airports by December 2008). The terminal redevelopment has delivered an immediate uplift in HIAPL's earnings from August 2007, through increased airline rentals and retail concession income.

■ Regulatory Environment

HIAPL is not subject to any price or other economic regulation following decisions by the Productivity Commission and the Commonwealth Treasurer in 2002 and confirmed in 2006, allowing it to negotiate terms with airlines and tenants on a commercial basis and providing opportunity to pursue non-aeronautical developments.

In accordance with the *Airports Act 1996 (Cth)*, most new developments under \$20 million are dealt with solely by direct application for building approval and do not involve prior formal planning applications or third party rights. However, such developments must be consistent with the approved Master Plan and Airport Environment Strategy unless otherwise approved by the

Commonwealth. Developments in excess of \$20 million require a formal Major Development Plan (**MDP**) approved by the Commonwealth in accordance with Part 5 of the *Airports Act 1996 (Cth)* and, depending on their nature, are similar in content to comparable off airport development applications that are subject to local and State planning laws (but without merit review).

1.5 CONTACTS

Queries regarding the Transaction and the Transaction Process should be directed to:

Lazard Carnegie Wylie

Level 33, 101 Collins Street
Melbourne VIC Australia 3000
Tel: (613) 9657 8400
Fax: (613) 9657 8411

Andrew Leyden
Managing Director
email: al@carnegiewylie.com

Richard Fox
Associate
email: rf@carnegiewylie.com

2. OVERVIEW OF HOBART AIRPORT

2.1 HISTORY AND BACKGROUND

Hobart Airport was commissioned in 1956 by the Commonwealth Government and continues to operate as the primary airport servicing Tasmania. The Airport was privatised by the Commonwealth in June 1998. Since then it has operated as HIAPL, originally with a mix of international and local owners, but since 2004 it has been wholly owned by the State.

On 11 June 1998, HIAPL entered into a 99 year lease with the Commonwealth Government for Hobart Airport (50 years plus a 49 year option). This lease requires HIAPL to operate the site as an airport, maintain insurance, effect capital improvements in accordance with the Airport Master Plan, protect the environment and maintain the Airport in good repair.

Since entering into the lease, HIAPL has undertaken a number of developments at the Airport. Major recent developments include:

- Stage 1 - An \$8 million upgrade of the departures lounge, the associated concourses, the public car park and car rental facilities, which was completed in December 2005; and
- Stages 2 and 3 - An \$18 million redevelopment of the terminal, of which stage 2 (\$15 million) is complete and stage 3 (\$3 million) is under negotiation with Qantas.

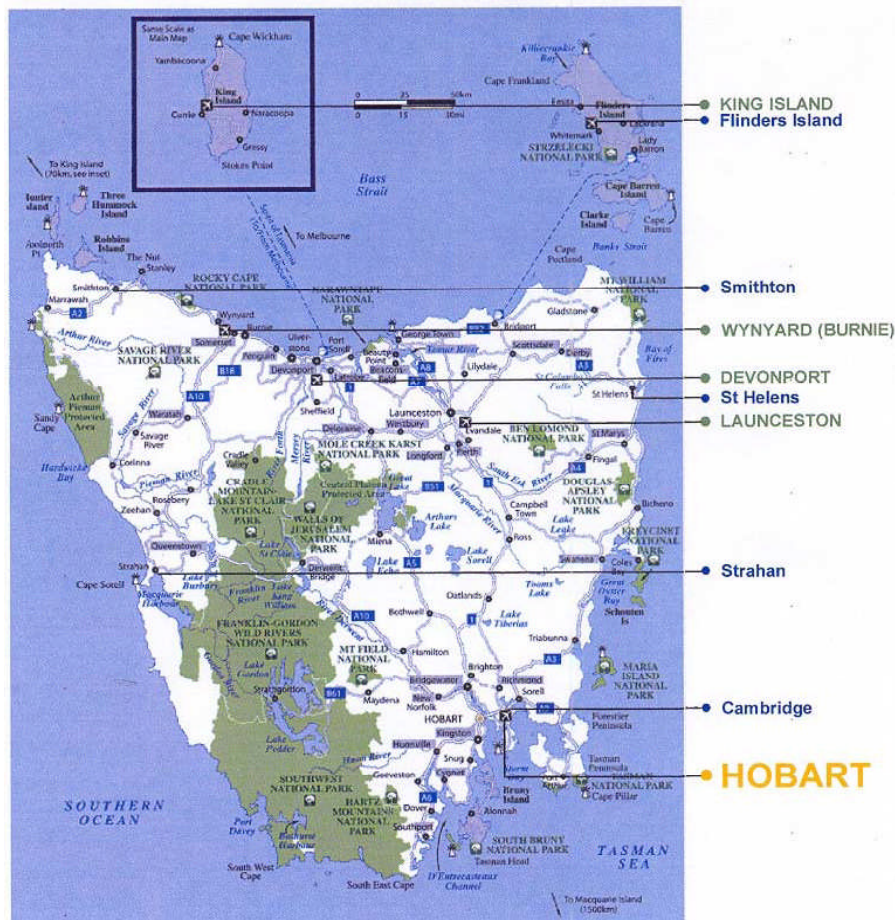
In the year ended 30 June 2007, the Airport handled 1.6 million passengers and 12,826 RPT movements. The Airport also serviced 5,194 general aviation aircraft movements and 670 freighter movements.

2.2 LOCATION AND LAND MAP

Hobart Airport serves the City of Hobart, the capital of Tasmania. The Airport is located approximately 17 kilometres to the east of Hobart in the suburb of Cambridge. It is served by arterial roads linking it to the centre of Hobart and, via the regional highway network, to other locations in the State.

Hobart Airport is one of ten certified or registered airports in Tasmania. Hobart and Launceston are the only airports serviced by all three major airlines. Devonport and Burnie offer RPT services to mainland Australia through regional carriers. The locations of Tasmania's airports are illustrated below.

LOCATION OF TASMANIAN AIRPORTS



Source: Ozhorizons.com.au / HIAPL

The Hobart Airport site occupies approximately 570 hectares. This comprises approximately 500 hectares of Commonwealth-owned land, which is the subject of the Airport lease, and two recently acquired land parcels totalling 67 hectares which HIAPL intends to join into its Airport lease area:

- A 28 hectare site at the southeast end of the runway, which provides scope for further commercial and general aviation developments; and
- A 39 hectare site at the southwest end of the runway, which provides land for commercial, freight and general aviation development.

Of the total Airport area, approximately 35% is dedicated to existing and master-planned aeronautical uses, approximately 25% is set aside for conservation and around 7% is currently used for commercial letting activities including the DFO, hotel/motel, caravan park, fuel retail outlet and child care centre. Approximately 30% is available for commercial development. Roads and terminal car parking comprise the balance.

The total area of the Airport land, including the recently acquired additional land parcels, is illustrated below.

HOBART AIRPORT LAND MAP



Source: HIAPL

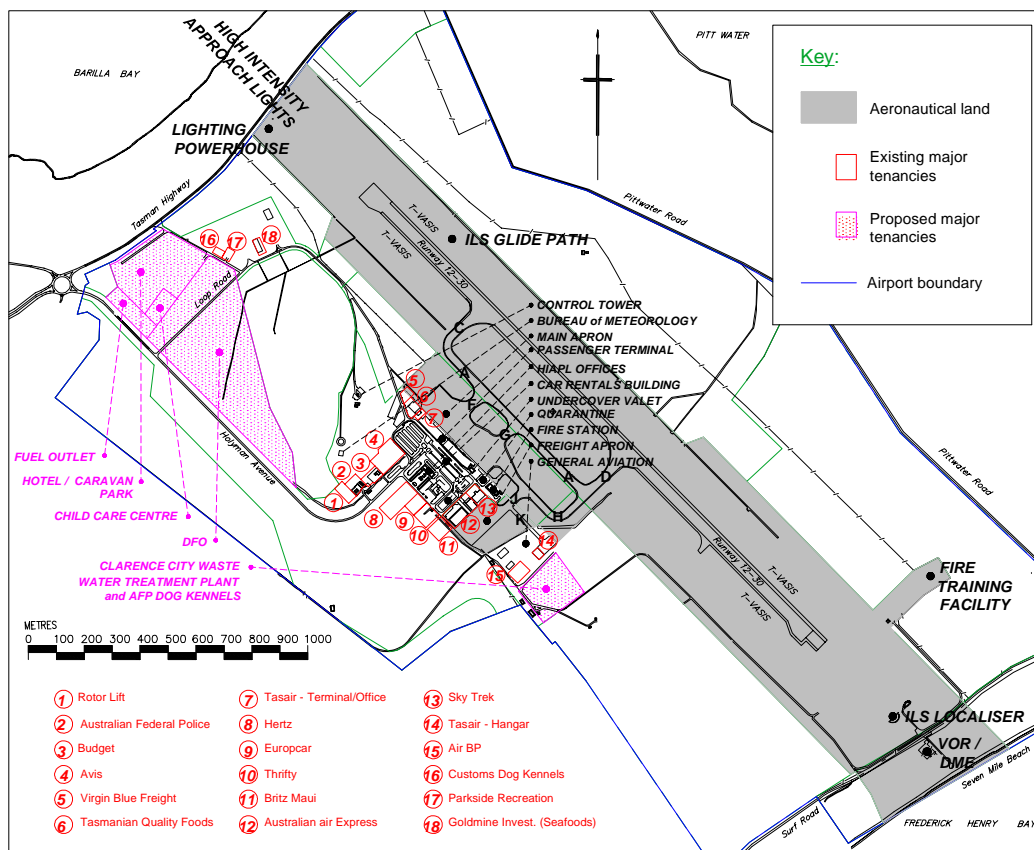
2.3 AIRPORT FACILITIES

Hobart Airport has facilities for international, domestic, regional, general aviation and freight traffic. The principal facilities at Hobart Airport include:

- A single 12/30 runway of 2,251 metres in length constructed of an asphaltic concrete surface. The runway is suitable for unrestricted operations for aircraft up to B767/A300. B747, B777 and their equivalents can operate with weight restrictions;
- A system of taxiways which do not cover the entire runway length, providing scope for future extension in order to improve operations, runway capacity and airline efficiencies;
- A combined international and domestic terminal operated by HIAPL;
- Public and staff car parking facilities;
- Car rental facilities;
- Air freight facilities;
- Aviation fuel facilities;
- Air traffic control facilities; and
- Rescue and fire fighting facilities.

A description of the facilities at Hobart Airport is provided in section 5. The layout of the facilities at Hobart Airport is illustrated in the site plan below.

PLAN OF MAJOR AIRPORT FACILITIES



Source: HIAPL

2.4 BUSINESS ACTIVITIES

HIAPL generates revenue from aeronautical, retail, property and recharges from tenants. The forecast contribution from each to HIAPL’s FY08F total revenue of \$21 million is provided below.

BUSINESS UNIT	FY08F REVENUE (\$'000)	PRINCIPAL ACTIVITY
Aeronautical	7,297	■ Landing charges based on passenger numbers
Trading	5,882	■ Car parking, car rental and terminal retail
Property	5,470	■ Rental of terminal and peripheral buildings
Recharge	2,299	■ Costs recharged to tenants
Other	3	■ Sundry income
Total	20,952	

2.5 REGULATORY ENVIRONMENT

HIAPL is not subject to any price or other economic regulation following decisions by the Productivity Commission and the Treasurer in 2002 and confirmed in 2006, allowing it to negotiate terms with airlines and tenants on a commercial basis and providing scope to pursue non-aeronautical developments.

In respect of property developments, HIAPL is subject to a flexible planning regime under the *Airports Act 1996 (Cth)* for most developments costing under \$20 million. For projects exceeding \$20 million, HIAPL is required to prepare a Major Development Plan for submission to and approval by the Commonwealth Government pursuant to the processes and criteria set out in Part 5 of the *Airports Act 1996 (Cth)*.

HIAPL is subject to certain ownership restrictions under the *Airports Act 1996 (Cth)*, including:

- 49% foreign ownership limitation; and
- 5% airline ownership limitation.

The percentage limits relate to “stakes”, which are broadly defined and include stakes of “associates”. Hobart Airport is not subject to any explicit cross-ownership restrictions with other Australian airports.

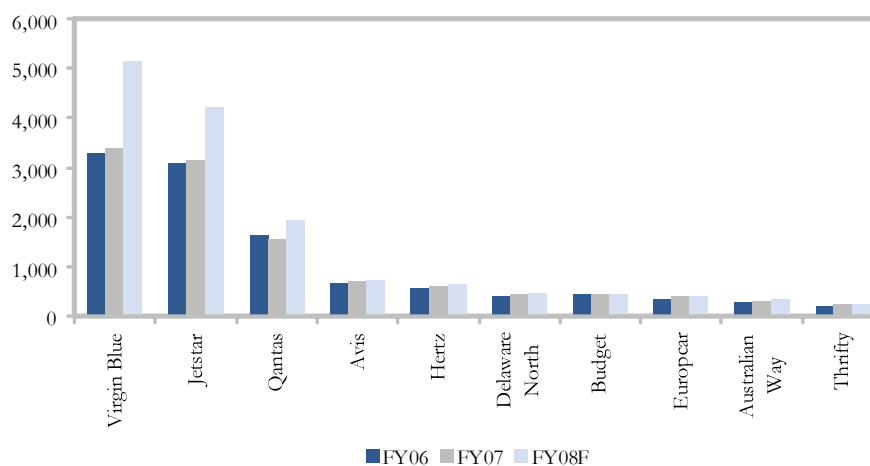
A change in ownership of the shares in HIAPL or the HIAPL business may also, as relevant, be subject to approval or notification under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*.

A list of the routine legislation that applies to Hobart Airport is provided in Appendix C. Interested parties should familiarise themselves with relevant legislation and ensure that any proposal to acquire HIAPL complies with the legislation.

2.6 KEY CUSTOMERS

HIAPL’s key customers are Virgin Blue, Jetstar and Qantas. Strong revenue growth is forecast from these customers in FY08 as illustrated below. As non-aeronautical revenue sources are developed, customer concentration is expected to dilute significantly.

KEY CUSTOMER REVENUE (\$'000)



Source: HIAPL

2.7 HISTORICAL AND FORECAST PASSENGER GROWTH

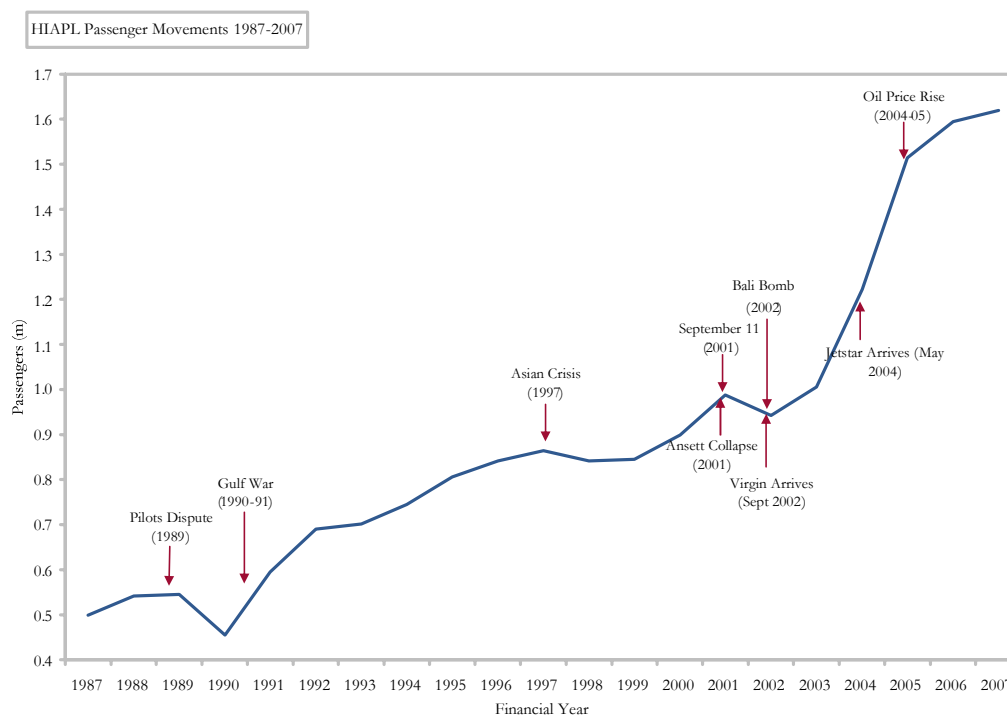
HIAPL has historically enjoyed strong growth in passenger numbers, which have increased at an average annual rate of:

- 6% over the last 20 years; and
- 12% since the introduction of regular low cost airline flights from 2002.

The recent strong growth in passenger numbers has been largely driven by leisure visitors, on vacation and visiting friends and relatives. The introduction of low cost airlines to Hobart in 2002 and 2004 has increased the affordability of air travel. Over 80% of all visitors to Tasmania now travel by air.

Annual passenger numbers over the last 20 years for HIAPL are illustrated below.

HOBART AIRPORT GROWTH 1987-2007



Source: HIAPL

Tourism Tasmania is expecting inbound trips to Tasmania to increase by 5% per annum over the next three years.

In preparing the financial forecasts included in this Information Memorandum, HIAPL management have assumed passenger growth in FY08F and FY09F of 3.0% per annum. This represents a “base case” forecast and is significantly lower than the average growth achieved over the last five years. The forecast does not incorporate a number of initiatives which are likely to provide further significant increases in passenger growth. These initiatives are described in the following section.

2.8 AIRLINE ROUTES

Direct airline routes are currently provided between Hobart and Melbourne (Tullamarine), Sydney, Adelaide and Brisbane. Qantas and Virgin Blue operate Boeing 737 and Jetstar operates Airbus A320 aircraft services on these routes. Virgin Blue will shortly be introducing Embraer E170s to Hobart. Tasair provides direct services to Devonport and Wynyard (Burnie). Current weekly services to/from major Australian cities to Hobart Airport are summarised below.

	NUMBER OF FLIGHTS PER WEEK	AIRLINES SERVING ROUTE
<i>Hobart to:</i>		
Melbourne	70	Jetstar, Qantas, Virgin Blue
Sydney	32	Jetstar, Qantas, Virgin Blue
Adelaide	7	Virgin Blue
Brisbane	10	Jetstar, Virgin Blue
Total	119	

Source: HIALPL Management

Note: Schedules vary seasonally and for airline operating reasons

Further routes are expected to be introduced in the future.

- A new carrier such as Tiger Airways. HIAPL is in advanced stages of discussion with Tiger Airways, with services to the mainland expected to commence within the next 12 to 18 months. It is anticipated that Tiger Airways would initially operate a daily flight increasing as capacity becomes available;
- New domestic routes by current airlines, such as to Canberra and the Sunshine Coast by Virgin Blue;
- International routes, such as to New Zealand. The International Terminal has the capacity and base infrastructure to cater for international flights. The Airport had intermittent services to New Zealand, operated by a number of different carriers, between the early 1980s and 1998. For re-establishment of this degree of services the current facilitation requirements of Customs and Immigration, currently being determined, will need to be met; and
- Services in support of Antarctic nations including providing aircraft parking and landing services during the operational summer months. These services have the potential to provide additional income from hangar/storage and longer term tourism potential.

Note that the introduction of new routes, as discussed above, have not been included in management's forecasts of passenger growth.

2.9 GENERAL AVIATION AND FREIGHT

General Aviation

The Airport serviced 5,194 general aviation movements in FY07. The regional airline, charter and flight school company, Tasair, is located on the Airport and generates the bulk of general aviation traffic.

While nearby Cambridge Airport attracts most of the region's general aviation traffic, there has been an increasing interest in hangarage and general aviation facilities at Hobart Airport. Tasair has

increased its aircraft fleet and is seeking to establish an international flight training school at the Airport.

Freight

The Airport serviced 670 freighter movements in FY07. The majority of the cargo handling service is provided by Virgin Blue and Australian Air Express (**AAE**). Freight is also transported in the holds of RPT aircraft.

Virgin Blue's freight arm, Express Blue Freight (**EBF**), established its first dedicated freight facility in Australia at Hobart Airport in early 2007. EBF was recently purchased by Toll Transport.

AAE operates freight services at the Airport to the south of the existing domestic apron through its dedicated freight terminal. HIAPL is currently in negotiations to relocate AAE to the north of the existing domestic apron and redevelop the existing freight area for general aviation purposes. This is not expected to greatly increase revenue from AAE. However, this would leave the site free for significant general aviation development, such as the potential relocation of Tasair and Rotor Lift, and free space to relocate HIAPL administration to increase capacity in the public car park.

2.10 CAPACITY

The Airport has significant capacity to increase the number of aircraft movements. The runway has a capacity of 30 movements per hour, consisting of a practical mix of heavy jet and smaller aircraft. Based on a notional 18 hour operating day and expected aircraft sizes this runway capacity could accommodate passenger numbers of at least four million per annum. The Airport enjoys curfew free operations and has a large land bank for potential expansion.

2.11 ANTARCTIC OPERATIONS

Tasmania has been a staging post for Antarctic expeditions since the early 1800s. Hobart has developed into the hub of Australia's Antarctic programs and home to a variety of national and international Antarctic organisations. It has built a reputation within the Antarctic community as a service orientated, easily accessible and cost competitive city within which to conduct Antarctic business. This has prompted the establishment of many Antarctic-related businesses in Tasmania providing services and support to Antarctic and Southern Ocean programs.

The Australian Antarctic Division is currently constructing a 3.6 kilometre blue ice snow-paved runway in an area approximately 70 kilometres from Casey Station in preparation for the commencement of the intercontinental air service in 2007-08. An Airbus A319, a long-range aircraft capable of carrying up to 40 passengers, will operate regular flights to the Antarctic continent from Hobart Airport. Flights will operate between October and February each year approximately every seven to ten days. A one way flight will take approximately four to five hours and enable the Australian Antarctic Division to regularly transfer scientists and expeditioners between Hobart and Antarctica. The air-link will reinforce Tasmania's reputation as the pre-eminent gateway to Antarctica. Antarctic Services are expected to locate aircraft maintenance and lease additional hangar space at HIAPL in the medium term. Tourist trips are also expected to commence within the next five years.

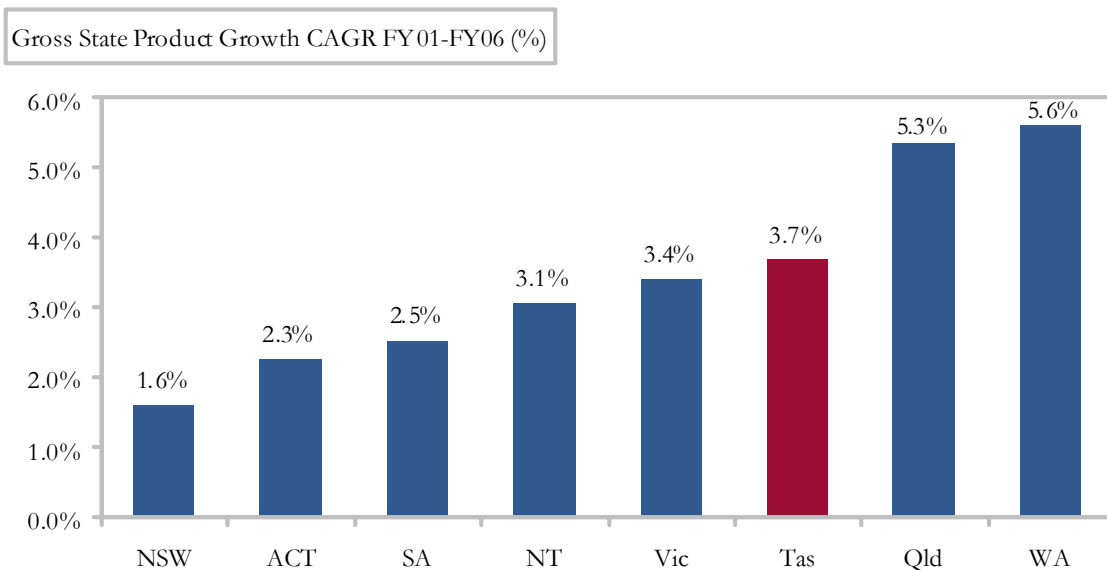
TRANSFER AIRCRAFT IN ANTARCTICA



2.12 TASMANIAN ECONOMY OVERVIEW

The Tasmanian economy has experienced strong growth over the past five years and is forecast to grow by 3.5% in FY08 supported by a favorable global economy.¹ It is estimated that more than 6,000 jobs will be created in FY08.

TASMANIAN GROSS STATE PRODUCT GROWTH – CAGR FY01-06 (%)



Source: Australian Bureau of Statistics (ABS), Gross State Product, Chain volume measure

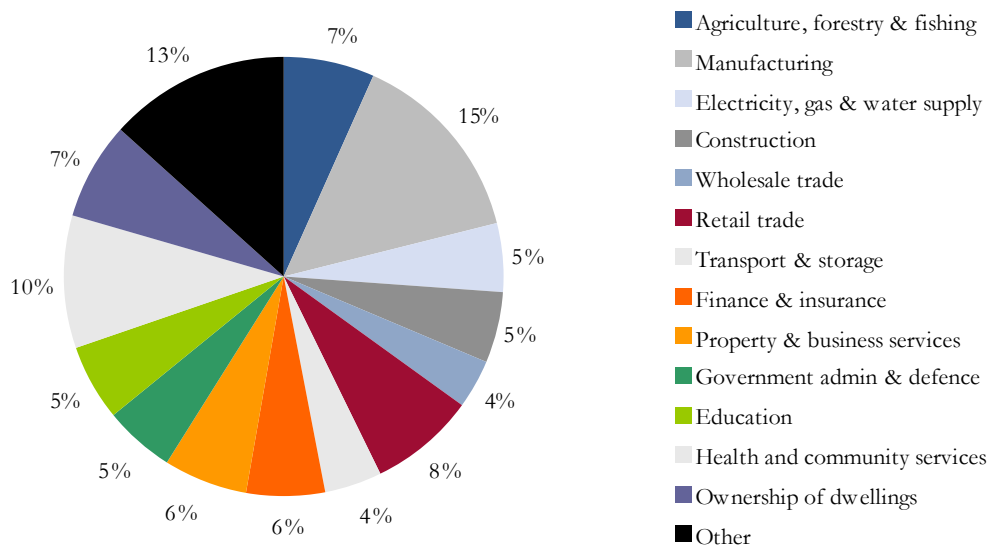
¹Tasmanian Government 2007-08 Budget

Tasmanian Industry

Tasmania’s industry structure is broadly similar to that of Australia as a whole but with a larger proportion of earnings from the primary sector which accounts for most of Tasmania’s exports. The contribution of the manufacturing sector is similar to that nationally, though the range of industries within that sector is not as broad and there is also less focus on the financial services and corporate management sectors. The value of overseas exports grew by 25% to \$3.5 billion in the year to March 2007, substantially higher than for Australia.

Approximately half of Tasmania's total production is distributed to the local market, 30% is distributed to mainland Australia and the remaining 20% is exported.

TASMANIAN GROSS STATE PRODUCT BY INDUSTRY – FY06

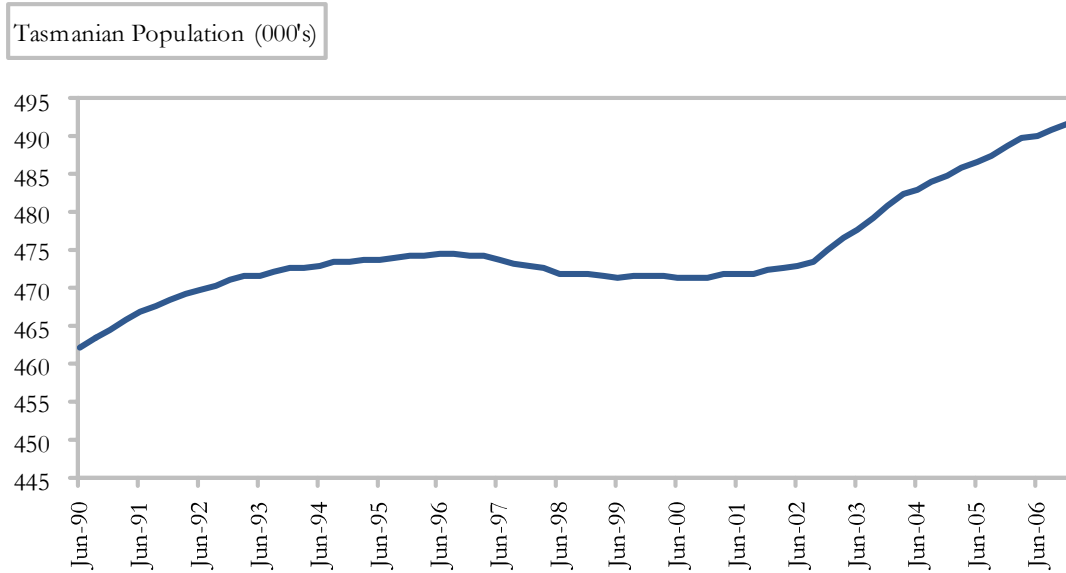


Source: ABS

Population

Tasmania’s population continues to grow following declines in the 1990s. It is currently growing by more than 3,000 individuals per year and is at record levels. As of December 2006, Tasmania’s population was over 491,000.

TASMANIAN POPULATION GROWTH ('000)

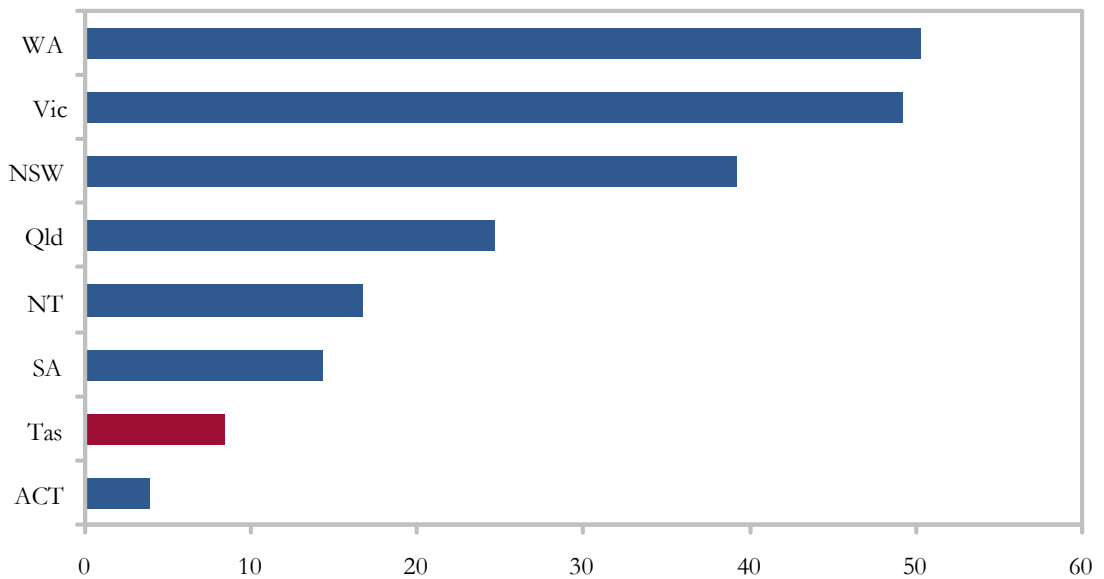


Source: ABS

Tasmanian Labour Market

Tasmania has one of the most favorable industrial relations records of all Australian states as illustrated below.

INDUSTRIAL DISPUTES - DAYS LOST PER 1,000 EMPLOYEES



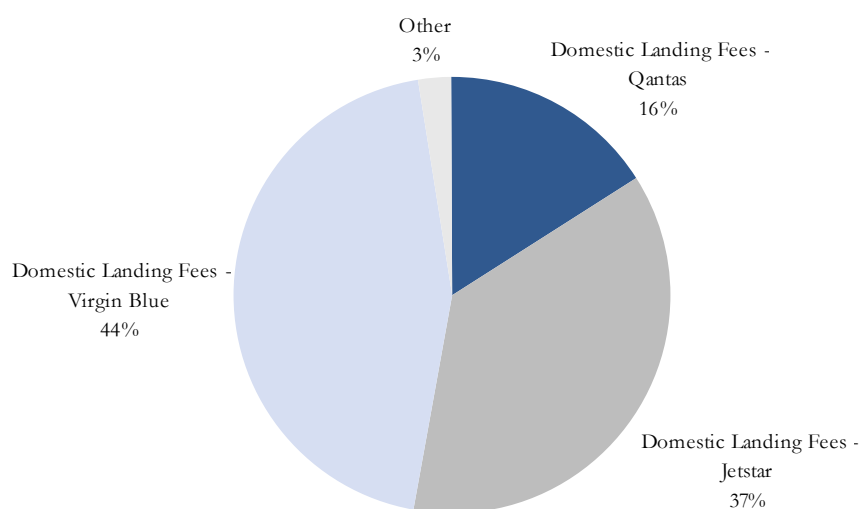
Source: Competition Index 2005

3. BUSINESS UNITS

3.1 AERONAUTICAL

HIAPL is forecasting aeronautical revenue of \$7.3 million in FY08. Currently 97% of HIAPL's aeronautical revenue is sourced from domestic passenger landing charges. Revenue is also received from freight, general aviation and military activities.

AERONAUTICAL REVENUE (FY08F)



*Note: Other includes freight, general aviation and military and aircraft parking.
Source: HIAPL*

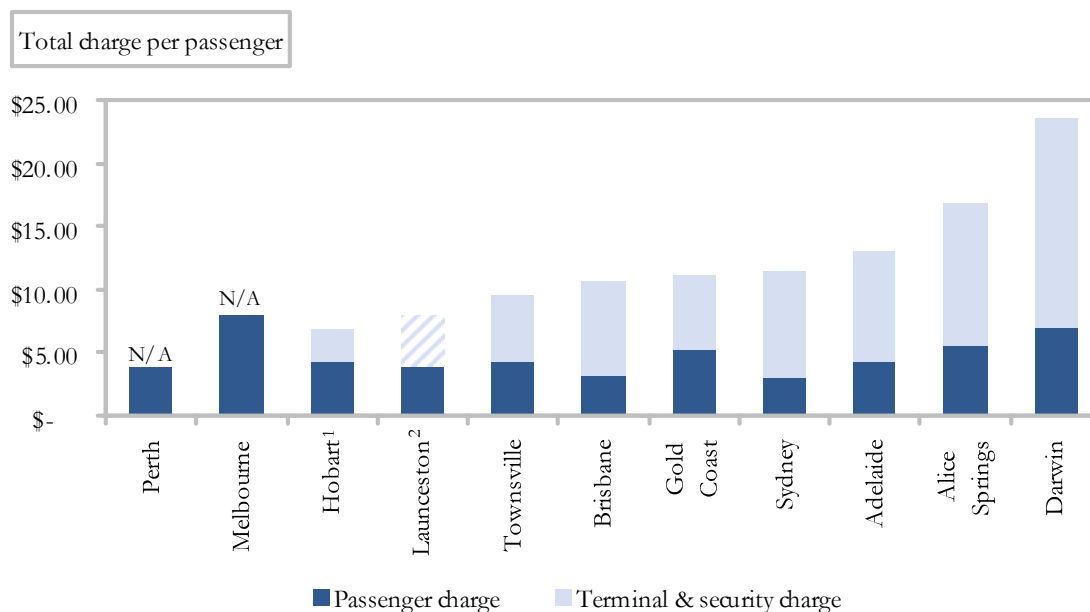
Landing Charges

The Airport's landing charges are not subject to regulation and are determined by an informal agreement with Qantas, Jetstar and Virgin Blue, expected to apply until June 2010. The agreements provide for a landing charge levied on airlines of \$4.25 (excluding GST) per arriving or departing passenger. The agreements also allow airlines to receive a 50% rebate on growth above 3% of the airline's prior year passenger numbers, subject to overall Airport passenger growth of at least 3%.

In addition to the aeronautical charges, most airports also charge an additional terminal and/or security charge to reimburse them for expenditure on terminal redevelopments or provision of additional security facilities mandated by the Commonwealth Government. Details of HIAPL's terminal charge of \$2.42 (excluding GST) per passenger are provided in section 3.3.1.

The total landing charge levied at the Airport is amongst the lowest in Australia, as illustrated below.

LANDING CHARGES AT AUSTRALIAN AIRPORTS



Source: Airport website,

1. Hobart does not charge a specific separate security charge. This is expected to be implemented in the future.

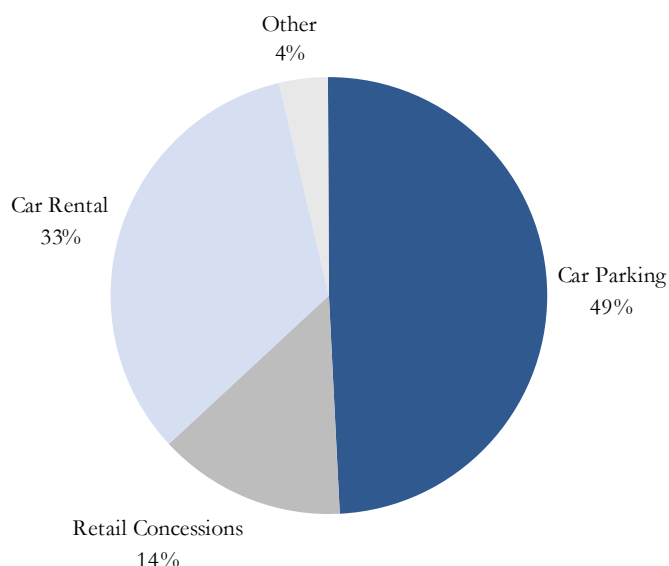
2. Launceston's terminal and security charge is based on HIALPL management's estimate of the likely charge if Launceston undertakes a similar development to HIALPL's stage 1 and 2 terminal upgrade. The estimate is based on a similar cost to that incurred by HIALPL but spread over a smaller passenger base (1 million passengers). This estimate may vary from the actual due to: Launceston obtaining different rates of return to those assumed in HIALPL's terminal charge; Launceston undertaking a different amount of capital expenditure; or a decision by Launceston to not pass-through the terminal development costs onto passengers. It should also be noted that if this development occurs a charge is unlikely to be imposed until late 2008.

N/A: Not available

3.2 TRADING OPERATIONS

HIAPL is forecasting trading revenue of \$5.9 million in FY08. HIAPL's trading operations include car parking, car rental fees and retail concessions.

HIAPL TRADING REVENUE BREAKDOWN (FY08F)



Source: HIAPL

3.2.1 Car Parking

Hobart Airport provides a range of car parking facilities for the public (including valet), staff, courtesy vehicles and taxis. In FY08, car parking revenue is forecast to be \$2.9 million. The principal costs associated with the car park are:

- Staff costs for operation of payment booths and valet parking recharged by Market Place Car Park Pty Ltd, trading as Sultan Holdings (**Sultan**) and a proportion of kerbside security costs (\$619,000 in FY08F); and
- Management commission payable to Sultan of 10% of profit on the car park (\$182,000 in FY08F).

All private vehicles entering the Airport terminal area must pass through the car park boom gates and will incur parking charges unless they exit within seven minutes. The car park capacity forecast for FY08 is summarised below:

	Capacity
Public car park	540
Valet car parks	
■ Open air	700
■ Undercover	180
Staff and tenants car park	150
Taxi rank and park	51
Courtesy bays (excl. car rental)	20
TOTAL	1,641

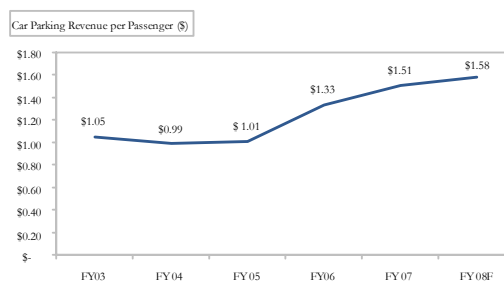
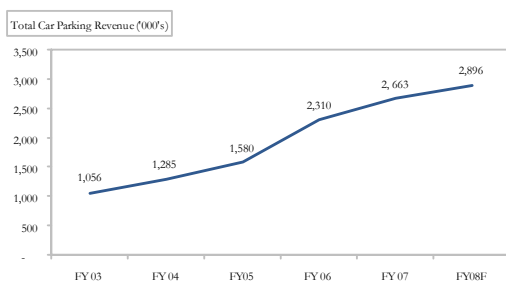
Sultan is engaged by HIAPL as a contractor to provide specialist parking services, primarily contracted labour for the public and valet car parks. HIAPL retains pricing, management and planning control over all parking operations. A significant number of staff are employed on the car park site as the ticketing system is not fully automated and includes manned payment booths.

As illustrated below, total car parking revenue and car parking revenue per passenger increased strongly in FY06 and FY07, driven by new pricing structures, enhanced valet services, greater capacity, improved parking enforcement, passenger growth and the innovative redirection of all kerbside terminal traffic through the car park. Car parking revenue is forecast to continue to increase in FY08 driven by increased car park capacity from December 2007 and growth in passenger numbers.

The current Sultan contract is a five-year agreement from 1 July 2004. Sultan’s management fee escalates at 2.5% per annum, however the profit factor is fixed at 10%. The agreement provides for termination at any time by HIAPL if it decides to fully automate its parking. Sultan has an option to extend the contract for five years, on the condition that HIAPL wishes to continue to operate the carpark under contracted labour and Mr Ali Sultan remains the owner of Sultan.

TOTAL CAR PARKING REVENUE

CAR PARKING REVENUE PER PASSENGER¹



1. Car parking revenue per passenger includes only public car parking revenue
Source: HIAPL

Public Car Park

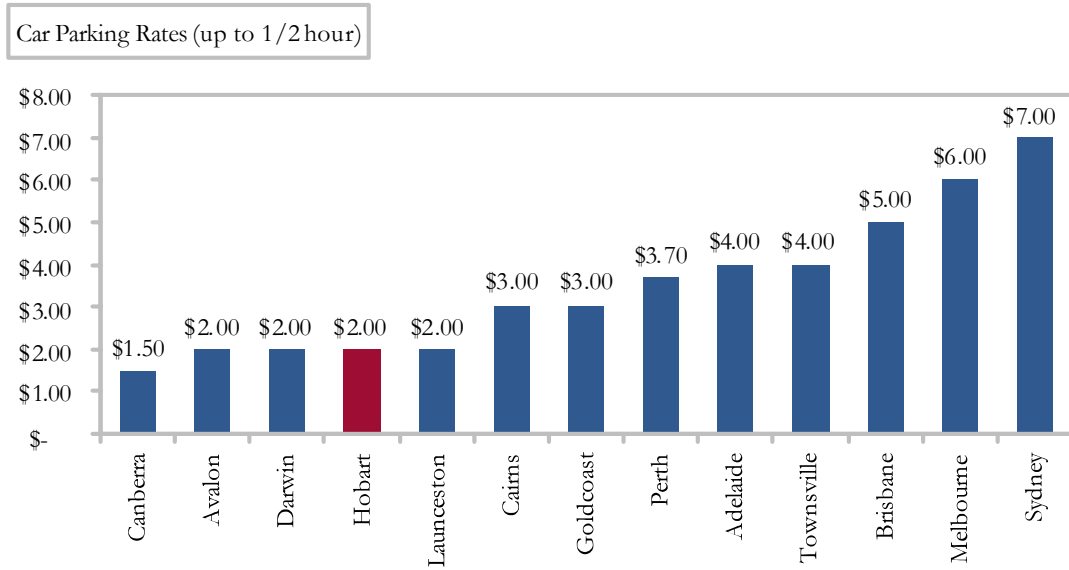
The public car park facilities comprise a single level, uncovered car park maintained by HIAPL. It is operated as a pay on exit facility. The public car park can accommodate 540 vehicles and regularly operates at capacity, with significant demand. Capacity could be increased with the conversion of existing secure valet, abutting the current public car park (currently used for up to 200 cars in valet-parked configuration), for an additional 150 public spaces.

The current public car park fees are provided below. Car parking fees are reviewed annually and the last increase occurred in May 2005.

HIAPL PUBLIC CAR PARK FEES	
0 – 7 minutes	Free
7 – 30 minutes	\$2.00
30 minutes – 3 hours	\$4.00
3 – 9 hours	+ \$1.00 per hour
9 – 24 hours	\$12.00

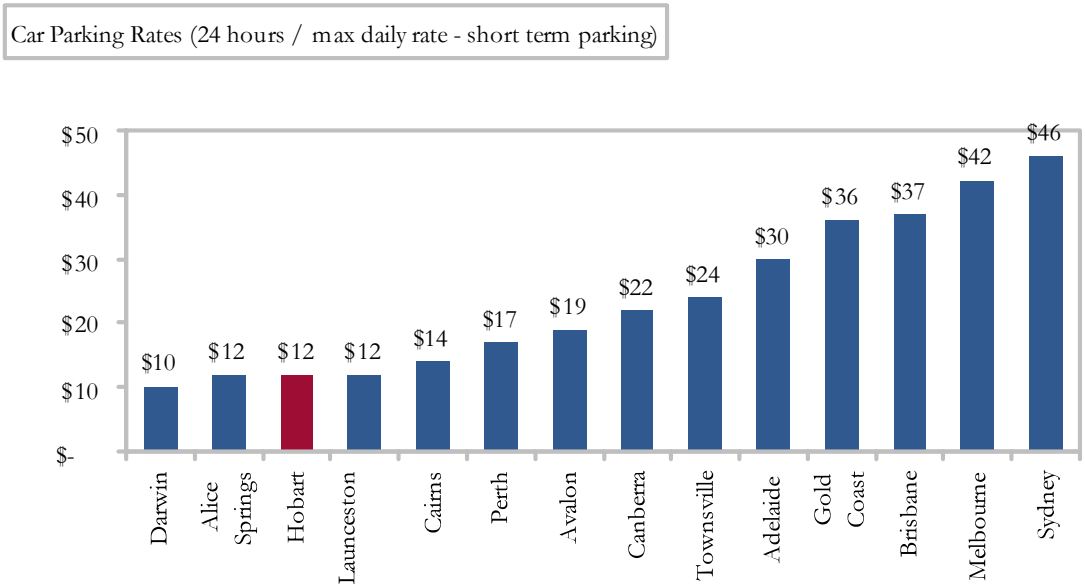
HIAPL management believe there is an opportunity to increase public car park fees, which are amongst the lowest in Australia, as illustrated below.

COMPARISON OF RATES UP TO ½ HOUR¹



Source: Airport websites
 1. Excludes free grace periods

COMPARISON OF MAXIMUM DAILY RATE



Source: Airport websites

Valet Car Parking

There are currently 880 valet car parks, comprising 700 open air parks and 180 undercover parks. Both are operated by HIAPL. The undercover area is currently constrained by capacity. The fees charged for valet parking are provided in Appendix B.

Staffing

A minimum of three Sultan staff are on duty at any one time to man the exit booth and valet car park, seven days a week, from 5.00am until passengers from the last arriving flight have left the Airport. Staff numbers may increase up to nine during valet peak times.

Staff and Tenant Car Parking

There are currently 80 car parks provided for tenants without their own employee parking areas. These are offered at a cost of \$2 per day. With an increasing number of employees working in the terminal precinct, the demand for this facility is increasing. Capacity is currently being expanded to accommodate an additional 70 vehicles.

Car parking facilities are provided to HIAPL employees at no charge.

Taxi Rank and Park

Taxi ranking at the front of the terminal currently consists of two ranks, one at either end of the terminal, of nominal holding capacity. Upon completion of the terminal redevelopment it is intended to provide a single, centrally located rank of six cars. A \$2 charge is levied per pick-up. A taxi holding bay has approximate capacity for a further 30 taxis.

Courtesy Bays

There are 20 courtesy bays which are licensed for limousine, government and ground transport use. These are charged on an annual basis at \$1,500 per bay. This charge was last increased in 1999. Current demand for bays greatly outstrips the number available.

Growth Opportunities

HIAPL management have sought to optimise the commercial operation of the car park whilst, as a State-owned entity, having regard to public sentiment. Car parking close to the terminal is a premium service which is currently operating at capacity and the last charge increase occurred in May 2005. Parking charges at other airports around Australia are, in some instances, nearly four times that charged at HIAPL.

Parking arrangements are currently under review at HIAPL. Capacity constraints result in an estimated 200 vehicles, on average, parking in the off-site parking in Cambridge during peak period. Growth in passenger numbers also provides additional revenue opportunities. HIAPL has identified the following growth opportunities:

- Expand current facilities at ground level and/or multi storey:
 - There are areas of available land adjacent to the car park to expand capacity at ground level. At present the public car park experiences capacity constraints, particularly later in the week and in holiday periods. This situation will be exacerbated by passenger number growth should Tiger Airways commence services, or other airlines increase capacity;
 - Construction has commenced on an additional 70 car parks at the staff and tenant car park; and

- HIAPL's administration building site, if vacated in the near future as planned, would result in an extra approximately 120 spaces close to the terminal entrance;
- Development of a long term car park with covered walkways (Hobart Airport currently has no dedicated long term car parking facilities);
- Optimise revenue mix within current parking facilities (e.g. segregate short and long term);
- Increased rates (subject to Department of Transport and Regional Services monitoring), which are low relative to other Australian airports;
- Improve and automate services including additional ticket machines and electronic boom gates to address complaints of delays at exit booths and reduce the costs of manning the car park; and
- Develop an "off-site" car park on Airport land – there is currently only one small provider in the area, located outside the Airport boundary.

Note that car parking developments are subject to the same regulatory requirements as other developments.

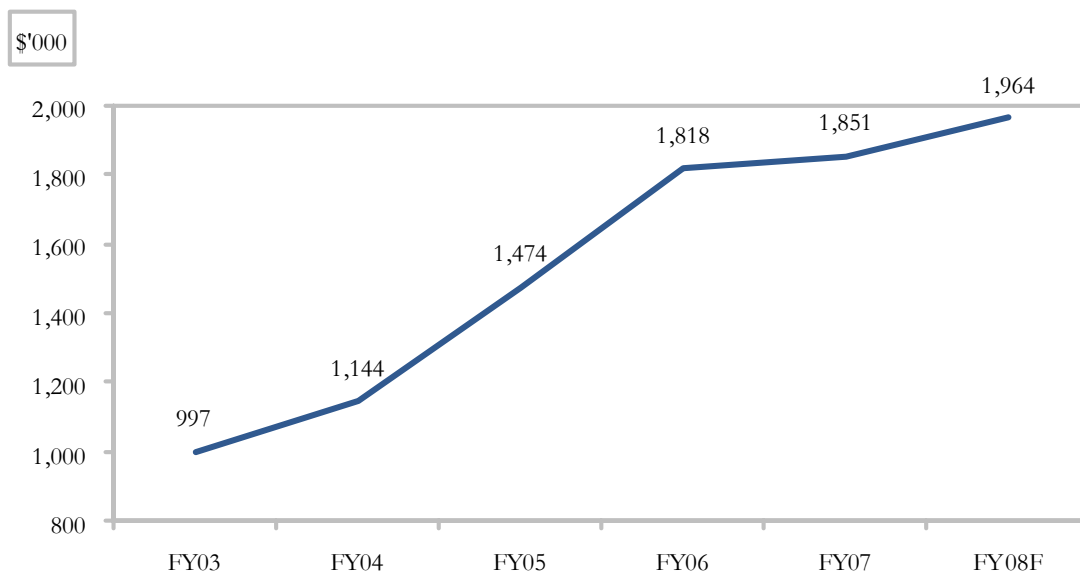
3.2.2 CAR RENTAL

Rental cars are a significant mode of transport to/from Hobart Airport, reflecting the relatively high proportion of tourist and leisure passengers.

HIAPL's car rental activities are forecast to generate revenue of \$2 million in FY08. Car rental revenue has increased significantly since 2003 as the introduction of low cost airlines has driven strong increases in the number of tourism visitors to Hobart.

The growth achieved in car rental revenue over the last four years and forecast in FY08 is provided below. Growth was particularly strong from FY03 to FY06 reflecting strong growth in passenger numbers over this period. Growth in FY08 is based on forecast passenger number growth of 3% and an assumed increase in car rental rates of 3% (by the car rental companies to customers). No increase in rental charge is included in the forecast, however there is potential for this charge to be increased, as the most recent increase was in June 2004.

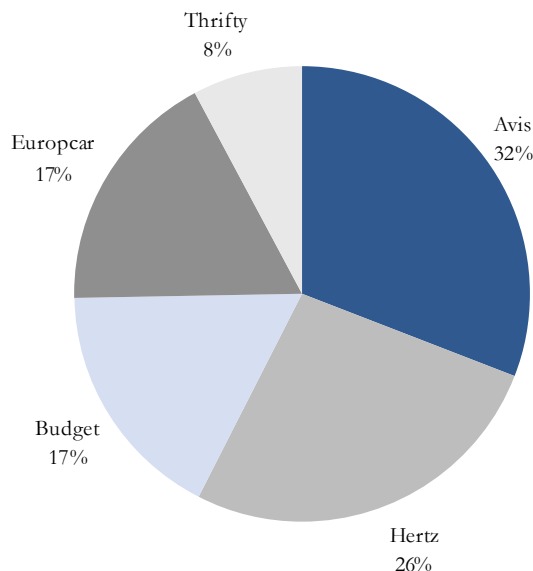
**CAR RENTAL REVENUE
(FY03 – FY08F)**



Source: HLAPL

Five national car rental companies operate at the Airport: Avis, Hertz, Budget, Europcar and Thrifty. Car rental revenue by customer in FY07 is provided below.

CAR RENTAL REVENUE BY CUSTOMER (FY07)



Source: HLAPL

The car rental companies each have a generic, non-exclusive license to operate at the Airport until June 2009. The principal terms of these licenses are:

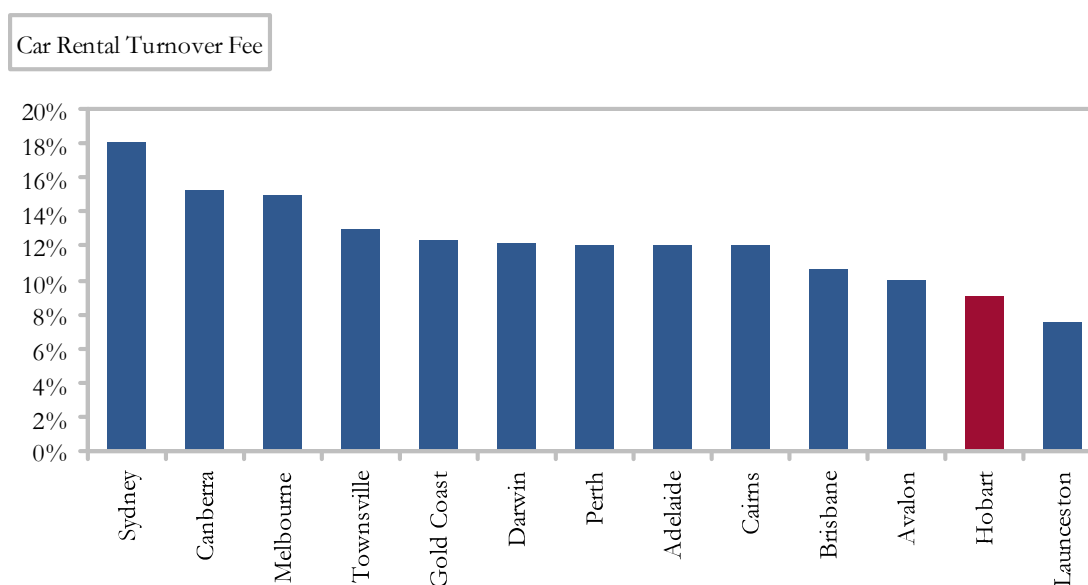
- License fee of 9% of gross turnover for sedans and \$15 per campervan/commercial vehicle;
- \$20,000 per annum for each desk rented (classified as property income); and

- \$1,500 per annum for each courtesy bay (there are currently 114 car rental courtesy bays). Note that this charge has not increased since the late 1990s.

Renegotiation of the current agreements is expected to commence in early 2008. No fee increases have been factored into the financial forecasts in section 7. In addition, the car rental companies pay rent for their administration and car detailing facilities located on Airport land, which is classified as property income by HIAPL. In 2002, Britz Maui chose Hobart Airport as the location for its first Australian airport depot, providing low-cost camper van hire. Britz Maui pays HIAPL \$12 per campervan hired.

The car rental turnover charges levied by HIAPL are low relative to other Australian airports as illustrated below.

CAR RENTAL TURNOVER FEES AT AUSTRALIAN AIRPORTS



Source: Hertz Australia

3.2.3 RETAIL CONCESSIONS

HIAPL currently has four retail concessions in the passenger terminal with Delaware North and Australian Way. Two additional concessions are expected to commence trading in February 2008. Revenue of \$20,000 is included in the FY08 forecast representing four months forecast revenue from these two additional concessions, which is forecast to increase to \$80,000 in FY09. The contributions from these concessions are expected to increase further as they become established. As a guide, each existing outlet generates, on average, concession income to HIAPL of \$183,000 per annum.

CONCESSION	EXISTING OUTLETS	OUTLETS FROM FEBRUARY 2008
Delaware North	■ Airside cafe	■ Airside cafe
	■ Airside bar	■ Airside bar
		■ Landside cafe
Australian Way	■ Airside newsagent	■ Airside newsagent
	■ Airside gifts (Tasmanian)	■ Airside gifts (Tasmanian)
		■ Airside gifts (General)

The redevelopment of the terminal building has resulted in an upgrading and expansion of retail concessions, which is expected to attract further concessions.

The retail concessions are charged a stepped percentage of their turnover, with a minimum annual payment.

3.3 PROPERTY

HIAPL covers an area of 570 hectares. This area can be divided by purpose into three broad areas: aeronautical, commercial and conservation.

HIAPL is forecasting property revenue of \$5.5 million in FY08. Approximately 95% of FY08 property revenue is forecast to be derived from aeronautical related services, principally rental of the domestic terminal to Qantas, Jetstar and Virgin Blue and other peripheral terminal rentals. As outlined on the map below, aeronautical land represents less than one third of the total HIAPL site, leaving a considerable area for potential commercial development. The development process is well underway with discussions at advanced stages with several significant prospective tenants.

HIAPL PROPERTY



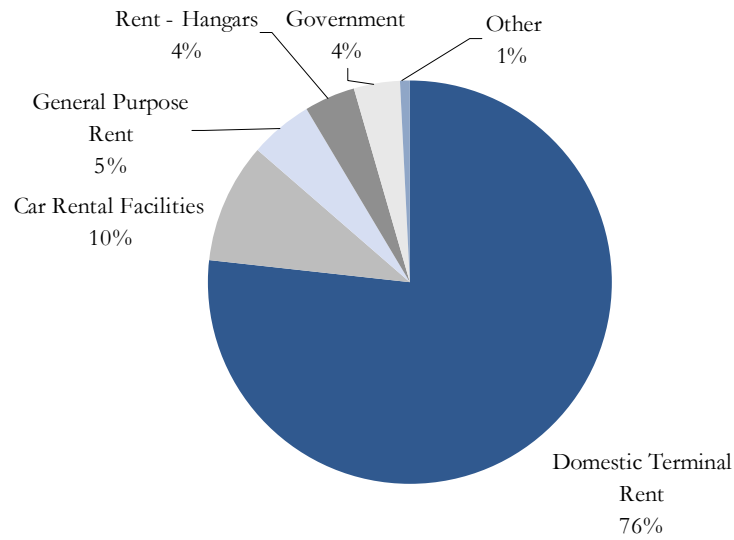
Source: HIAPL

3.3.1 AERONAUTICAL PROPERTY INCOME

FY07 property revenue was generated from the rental of the domestic terminal and other general aviation and freight facilities in and around the terminal precinct. This long established revenue source has been enhanced over the last 18 months with the completion of stages 1 and 2 of the \$26 million domestic terminal redevelopment and is forecast to increase by 67% in FY08.

The diagram below illustrates the key sources of property revenue forecast for FY08. Aeronautical-related income currently comprises a majority of property revenue. Rent from property development is discussed in section 3.3.2.

HIAPL PROPERTY REVENUE BREAKDOWN (FY08F)



Source: HIAPL

3.3.1.1 Terminal Rent

The terminal covers an area of approximately 10,000 square metres. The principal tenants are Virgin Blue, Jetstar and Qantas who are charged rent for the use of the land, terminal building and facilities. FY07 rent totalled \$2.1 million, which is forecast to increase to \$4.2 million in FY08, with higher charges resulting from the terminal redevelopment.

PLAN OF HIAPL TERMINAL AND TERMINAL AREA



Source: HIAPL

Prior to August 2007, rent was charged across a number of separate streams covering facilities, land and apron charges amongst other things. Following the terminal redevelopment in August 2007, the airline rental charge was simplified and combined in a single, per passenger charge and minor rents for exclusively occupied areas. A second charge, levied for utilities, is included within the Recharges Income discussed in section 3.4.

Terminal income is principally based on a charge per passenger, which is set at a level intended to provide HIAPL an agreed return on the capital cost of developing the facilities. Total rental charges were increased on completion of stage 2 of the terminal redevelopment and are forecast to generate an additional \$2.1 million EBITDA in FY08 relative to FY07. These recently completed works include:

- Joining the former International and Domestic Terminal Buildings;
- New check-in hall;
- New checked bag screening facility; and
- New operations offices for airline operations and grounds services staff.

The check-in hall, Virgin Blue arrivals hall, concourses and checked bag screening are subject to a non-exclusive license on a common user basis, with associated costs divided between airlines based on passenger numbers. Areas subject to exclusive occupation (e.g. airline operations offices and Qantas leased area) are subject to long term leases.

Stage 3 of the redevelopment is currently under negotiation with Qantas and, if agreed, would result in Qantas surrendering its domestic terminal lease (DTL), enabling HIAPL to build a new Qantas Club and Qantas group arrivals hall and provide additional common user areas in the terminal.

The current charge for the terminal building, since August 2007, is \$2.42 per passenger (excluding GST). This is forecast to increase to \$2.61 per passenger (excluding GST) on completion of stage 3. This charge is escalated by CPI annually. In addition, fixed rents are applied to areas of exclusive access, and are also escalated by CPI annually.

3.3.1.2 Car Rental Facilities

HIAPL receives rent from the lease of facilities provided to car rental and campervan companies at the terminal building and their depots. HIAPL owns the Budget depot and the recently built Britz Maui and Thrifty depots. FY08 rental income is forecast to be approximately \$0.5 million.

CAR RENTAL AREA



Source: HIAPL

Revenue generated under agreements with the five national car rental companies (Hertz, Avis, Thrifty, Budget and Europcar) is forecast to be approximately \$0.4 million in FY08. This revenue relates to the hire of desks inside the car rental building and various car rental depot sites and external buildings, all of which are on long term leases.

Britz Maui rents campervans to visitors and conducts operations from its own depot, located in the terminal precinct. FY08 rent revenue from Britz Maui is forecast to be \$0.1 million. The modern depot includes a waste water dump, car wash, maintenance bays, hardstand and service desks. Operations are conducted under a ten year building lease which is linked to periodic market and CPI adjustments. Revenue is forecast to increase in line with CPI.

BRITZ MAUI DEPOT



Source: HIAPL

In addition, a number of local independent rental firms and limousine operators are licensed to operate on the Airport site including Rentforless, Tasmanian Campervan Hire, Cruisin Tasmania and Chauffeured Cars and Coaches. These firms operate on expired agreements, holding over on a monthly basis. Rentforless and Cruisin Tasmania have been advised that they are required to construct depots if they wish to continue to conduct operations at the Airport. The fees paid by these local operators are nominal. This arrangement has also helped to stem past practices of vehicle rental firms conducting clandestine hiring on site, improving the image and feel of the Airport.

3.3.1.3 Government

Property revenue from Government buildings is forecast to be approximately \$0.2 million in FY08. These rentals are typically on long term leases and include:

- Australian Federal Police (**AFP**) building - Revenue is forecast to increase considerably from FY09 as the AFP is considering renting a new office development on HIAPL land. This is discussed further below;
- Bureau of Meteorology - Site lease continues until the site is no longer used for Bureau purposes. Market reviews apply every 2 years;
- Australian Customs Service (**ACS**) - Kennel facility, which is owned by HIAPL and leased at a market rent. HIAPL is currently negotiating (jointly with AFP and Quarantine Tasmania) for a new lease and facility at a new location, to enable the current site and general area to be redeveloped for commercial purposes; and
- Airservices Australia (**ASA**) - ASA has a number of site leases for its aviation purposes, at nominal rents (granted by the Commonwealth prior to privatisation of the Airport). One lease attracts a market site rent as it is sub-let by ASA to Quarantine Tasmania.

The AFP currently rents a site and improvements (comprising office building, warehouse, car parking and land) from HIAPL for its use in relation to aviation security and airport community policing. Discussions are proceeding to settle plans and rentals for HIAPL to either construct a new office development or to expand and upgrade the existing building, and to build new dog kennels for AFP/ACS and Quarantine Tasmania. HIAPL is seeking a 12% post tax return on its investment. The final decision will be made by the new owner of HIAPL.

3.3.1.4 General Purpose

Other rental income, forecast to be approximately \$0.3 million in FY08, is generated from other land-side tenants including Air BP (located air-side) which pays a site rent and an annual access licence fee for the right to operate on the Airport (in lieu of a throughput levy), Tasmanian Quality Foods (agriculture export producer), Eyecorp (outdoor billboard advertising) and Rotor Lift (State Rescue Service and rotary operations).

3.3.1.5 Aeronautical Upside

In addition to the existing revenue streams, a number of opportunities have been identified to build on the revenue from the terminal and associated aeronautical uses. These include:

- AAE relocation: Discussions are progressing to settle plans and financial arrangements for a \$1.3 million relocation and base building works for a custom made building to suit specific AAE operational requirements. AAE would complete the internal fit out. This will allow strategic zoning of the apron with freight operations to the north of the property.
- Tas Air relocation: \$250,000 - \$450,000 relocation of existing operations incorporating a new international General Aviation (GA) pilot training facility. This will allow strategic zoning of the apron with GA to the south of the Airport;
- Development of an expanded GA precinct, incorporating hangars, new taxiway, and refuelling services. There is evidence of increasing interest in this development;
- Expanded Antarctic support facilities and services over time; and
- Continued growth in regular passenger transport services, particularly with the introduction of services by Tiger Airlines.

3.3.2 COMMERCIAL PROPERTY DEVELOPMENT

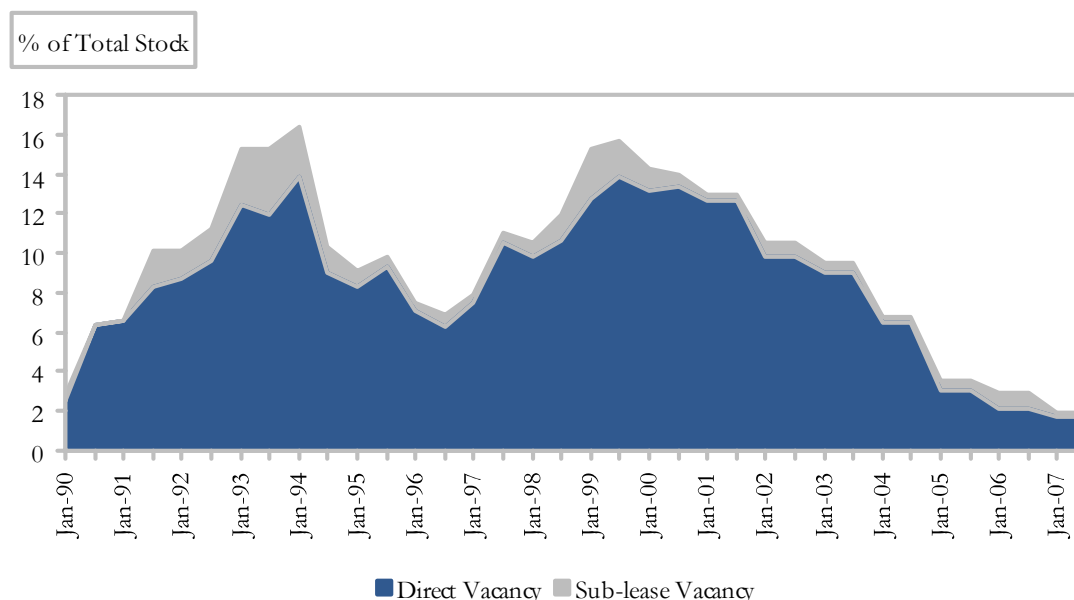
HIAPL has approximately 205 hectares of land for potential commercial property development (of which 25 hectares is allocated for pending developments). An Airport Development Advisory Committee was established in 2003 to focus on developing this land. The committee undertook a strategic and asset review during 2004 and formulated the Airport Master Plan, which sets out its policy and strategy. This resulted in the acquisition of additional portions of land, reversionary interests taken-up in leases and significant re-zoning of Airport land delivering the current platform for commercial growth.

While HIAPL identified commercial uses for its land, under State ownership it has not had access to capital to fund construction of commercial buildings on Airport land and, hence, has been restricted to leasing land for development by others.

3.3.2.1 Cambridge and Hobart Commercial Property Demand

Whilst HIAPL has developed its commercial property framework, vacant commercial property in the Greater Hobart area has been declining as illustrated below.

GREATER HOBART COMMERCIAL TOTAL VACANCY



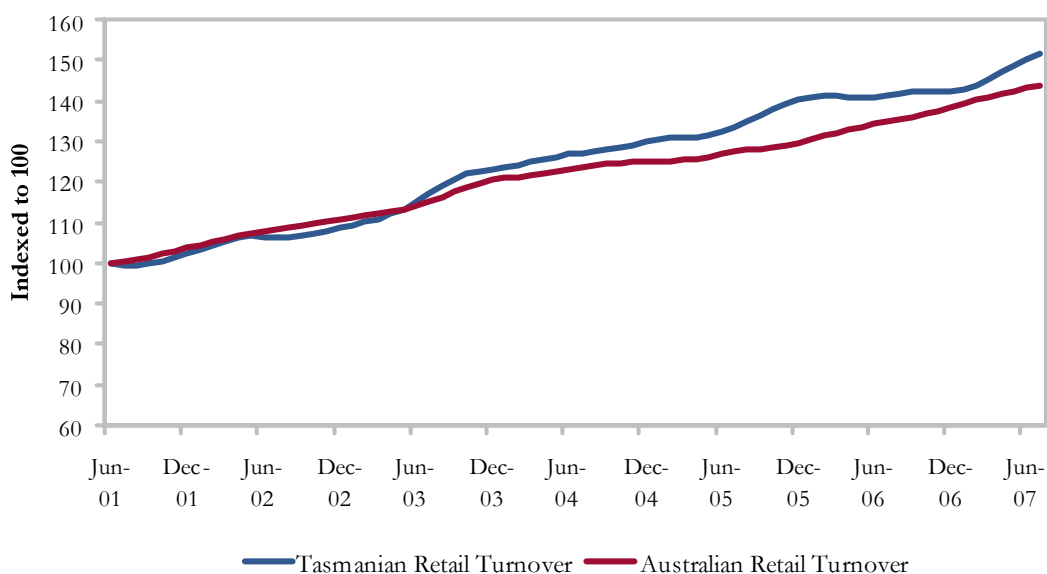
Source: Property Council of Australia, Office Report July 2007

Hobart's total vacancy rate is currently at a record low of 1.9% (6,567 square metres), well below the Australian CBD average vacancy rate of 5.6%². The outlook in and around Hobart is for continued tightness in the property market with an additional 4,000 square metres expected to become available in 2007 and no further stock due to enter the market.

There has been no significant commercial property development within the Hobart CBD for a number of years. Coupled with the tightness of commercial property supply to the market, there is an increasing demand for large sites suitable for retail development.

Demand for retail development is being driven by strong growth in Tasmanian retail turnover which has seen average annual growth of 7% per annum over the last six years, illustrated below.

HOBART RETAIL TURNOVER



Source: ABS

In response to increasing demand, the largest commercial/retail property development underway in the Hobart area is adjacent to the Airport site in the Cambridge area including:

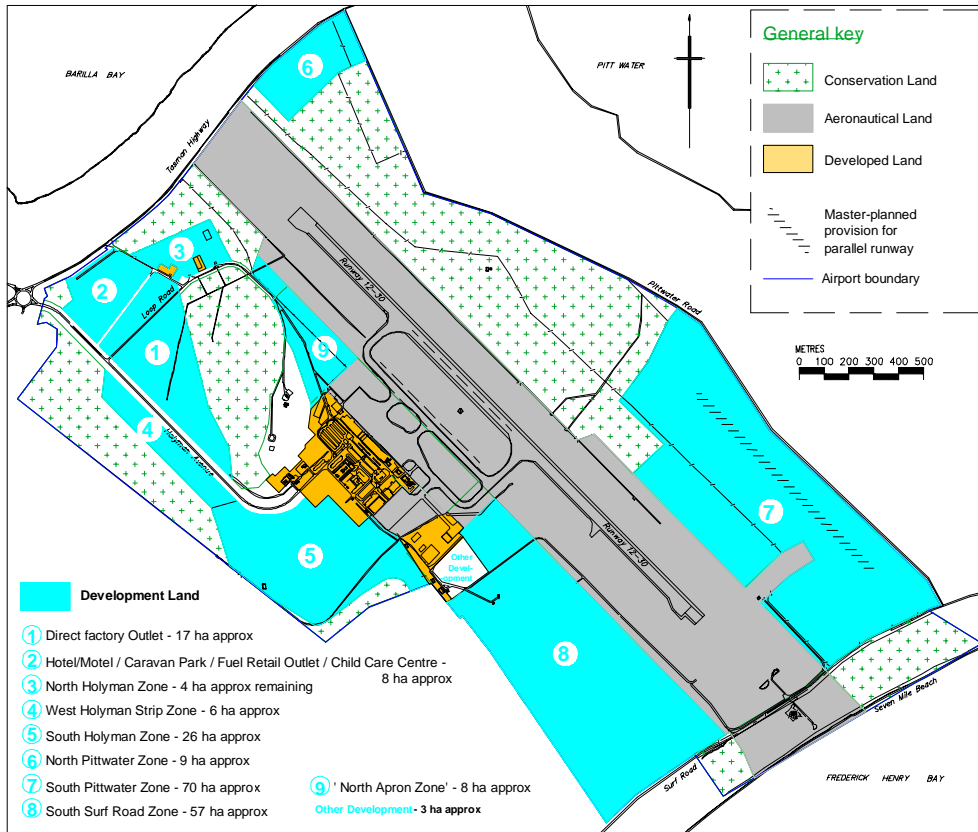
- Business and retail park – ANZ Rabinov recently purchased 2.8 hectares of developed land in Cambridge for \$34 million, incorporating an office to house 350 Hydro Tasmania Consulting staff;
- Bulky goods and Homemaker Precinct – Harvey Norman and Prudentia are developing a 3.9 hectare site in Cambridge to house electrical, hardware and homeware stores and various food outlets, expected to be operational by early 2008;
- Aurora Energy Works Depot – consolidation of operations at Kennedy Drive Cambridge on a 5 hectare site comprising a 5,000 square metre store with office amenities, and an 18,000 square metre hardstand area, at a total cost of \$14.4 million, completed in June 2007;
- Substantial industrial estates incorporating furniture showrooms, fruit juice and wine producers and commercial businesses;
- The Pines Resort – a \$10 million expansion of an existing accommodation complex at Seven Mile Beach; and
- The proposed DFO at Hobart Airport.

These factors highlight the significant opportunity for HIAPL to deliver into the growth market and capitalise on the associated increasing rent which has risen, over the past two years, from approximately \$25 per square metre to the current price of \$90 - \$150 per square metre in the Cambridge area.

3.3.2 HIAPL Development Land

The diagram below sets out HIAPL’s land available for commercial development. There are nine key zones, as shown on the master diagram illustrated below.

HIAPL PROPERTY DEVELOPMENT LAND (MASTER DIAGRAM)



Source: HIAPL

1. Direct Factory Outlet

DFO is planning to build one of its largest developments on up to 17 hectares of land adjacent to Holyman Avenue. The development is subject to Commonwealth approval under the *Airports Act 1996 (Cth)* with construction expected to commence in October 2007 and staged openings during 2008-09. The diagram below sets out the intended plan for the area including retail areas and car park.

PLAN OF PROPOSED DFO

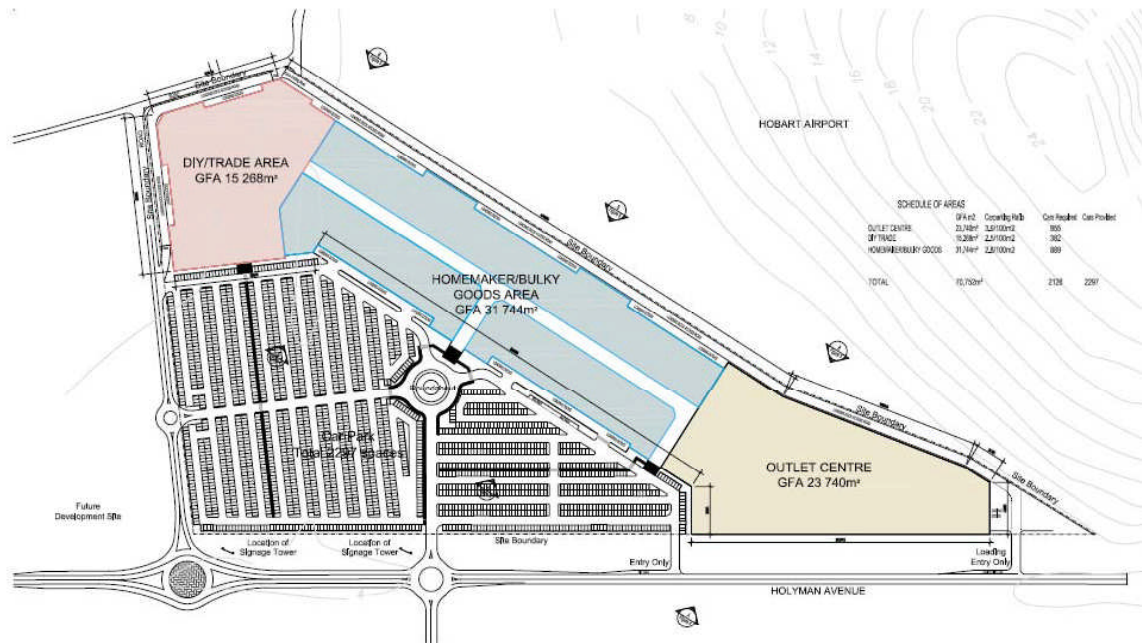


Figure 3

Retail and Outlet Centre on Hobart Airport
 Proposed Site Layout Plan
 1:1000
 April 08
 Rev 3

0 50 100 200M
 SCALE
 1:1000



architecture
 5/11/08
 Suite 3, Level 6
 520 Collins Street
 Melbourne 3000, VIC
 p: +61 3 9614 1945
 f: +61 3 9614 1946
 ic: info@architecturhq.com
 ic: www.architecturhq.com
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Source: HIAPL

The complex design covers an area of approximately 71,000 square metres and includes over 100 leading fashion brands, a Trade Do It Yourself Centre, a Homemaker Centre, a Bulky Goods Centre and on-site car parking for over 2,300 cars. Similar outlets, located at Adelaide, Essendon, Brisbane, Canberra and Moorabbin airports and in Melbourne, Gold Coast and Sydney, have proved to be popular with shoppers. The DFO at Hobart Airport is being developed by Austexx, who has developed the majority of the other DFO sites. This development is in the final stages of Commonwealth planning approval.

For the development of the DFO, as well as the hotel/motel, caravan park, fuel retail outlet and childcare centre, HIAPL is upgrading road, electricity and water infrastructure at an estimated cost of \$7 million. The majority of these infrastructure works are expected to be completed by 1 June 2008, with water and civil stage 2 works expected to be completed by 1 April 2009. Austexx has agreed to contribute \$0.8 million towards the infrastructure cost and HIAPL is currently negotiating a further payment by Austexx for road works, stormwater and water infrastructure of approximately \$1.3 million. This infrastructure will also support further property developments at the Airport.

Rent to HIAPL from the DFO is expected to commence in March 2008 at \$900,000 per annum, increasing by 4% per annum and a further 10% every ten years. The lease runs until 2048 with an option to extend for a further 49 years thereafter.

2. Hotel/Motel / Caravan Park / Fuel Outlet / Child Care

A hotel/motel, caravan park, fuel retail outlet and child care centre are planned off Holyman Avenue adjacent to the proposed DFO development. Construction will commence shortly for the hotel/motel and caravan park, with rent to HIAPL expected to commence in November 2008 at an estimated \$150,000 per annum, based on an annual turnover fee of 5% of gross turnover (for the accommodation component). The fuel retail outlet, hotel/motel and caravan park are being developed by Sultan and the child care centre is being developed by ABC Learning Centres. The fuel retail outlet and child care developments will attract site rents, with a mix of fixed and market rental reviews. The diagram below sets out the intended plan for these developments.

HOTEL/MOTEL / CARAVAN PARK / FUEL OUTLET / CHILD CARE



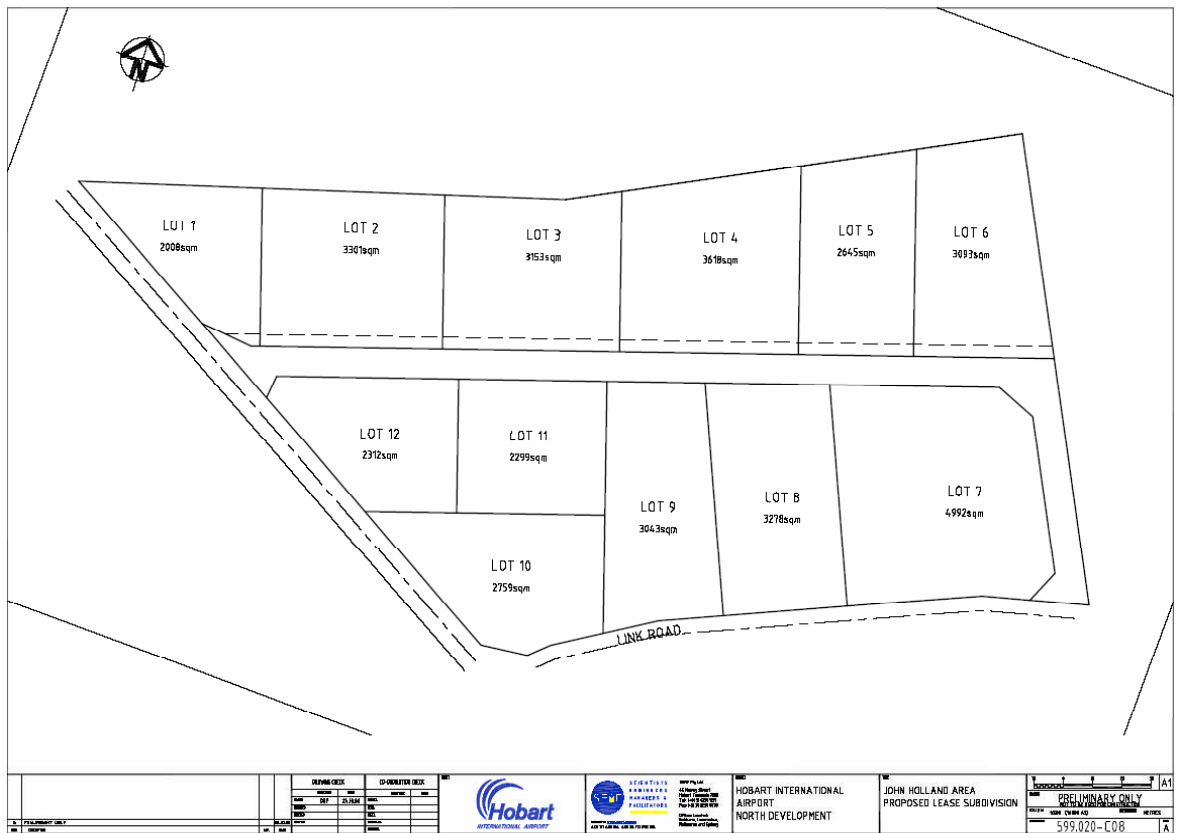
Source: HIAPL

These developments are currently awaiting building approval and are expected to open from mid to late 2008.

3. North Holyman Zone

The North Holyman Zone, indicated at point 3 on the master diagram, covers an area of approximately four hectares and has been subdivided into twelve plots ranging in size from 2,000 to 5,000 square metres as detailed below.

NORTH HOLYMAN ZONE



Source: HIAPL

This area sub division plan has been approved by HIAPL’s Board of Directors. This largely cleared site is currently occupied by an aquaculture processor (HIAPL has the right to refuse the exercise of an option for a further period of 10 years in 2009), a disability training provider (monthly holding over) and the ACS (lease expiring in 2010). HIAPL has declined numerous requests to lease sites in this area (pending the sale), as approval of the DFO development is expected to significantly enhance its value and range of uses. Industrial site rent in the area is approximately \$9 - \$15 per square metre (leasehold rates are generally 10% of freehold prices). No revenue from new tenants has been included in the forecasts presented in section 7.

HIAPL has received a number of enquires in relation to this land including:

- Office – prior to the announcement of the proposed sale of HIAPL an Australian property developer approached HIAPL with a view to building an office/warehouse facility on this site;
- Warehousing – with the development of the DFO, bulky goods retailers are expected to be increasingly seeking goods storage HIAPL has received a number of expressions of interest for warehousing site leases on this site, but has deferred them pending the proposed sale of HIAPL;
- Light industry – current use of this land indicates light industry as one possible use of this land; and
- Transport depot – the increasing population of the Cambridge area, and the associated continuing development, may bring with it ancillary transport services and a requirement for storage of transport vehicles.

4. West Holyman Strip Zone

The West Holyman Strip Zone, indicated at point 4 on the master diagram, covers an area of approximately six hectares, with frontage to Holyman Avenue and abutted by a conservation area to the rear. With the completion of the DFO development this high visibility area lends itself to limited access large scale commercial developments with showroom and office frontages. HIAPL has previously received a number of enquiries in relation to this land including a boat showroom/yard and a showroom/warehouse for a juice manufacturer. Other potential uses include a car showroom similar to the recent Mercedes development at Melbourne and Sydney airports or a supermarket.

5. South Holyman Zone

The South Holyman Zone, indicated at point 5 on the master diagram, covers an area of approximately 26 hectares, with limited frontage to Holyman Avenue and close proximity to the terminal precinct. HIAPL’s medium term plan is to extend Holyman Avenue through this zone to Surf Road, thus opening up both this parcel of land and the South Surf Road Zone for development, with high visibility.

Plans for a business park have been drawn up including two storey office blocks, parks, a village precinct and other facilities, as illustrated below.

BUSINESS PARK (LLANHERNE PARK)



Source: HIAPL

These plans are in the concept design stage based on anticipated demand for office and technology based developments in the Cambridge area. Demand for this type of accommodation is evidenced by the Hydro Tasmania Consulting development.

6. North Pittwater Zone

The North Pittwater Zone, indicated at point 6 on the master diagram, covers an area of approximately nine hectares. This land is zoned Commercial/Industrial under the Airport Master Plan and consists of vacant largely unserviced land that incorporates a sand quarry from which material was extracted for Airport uses. The quarry is no longer used due to OH&S reasons and its location adjacent to a conservation area.

HIAPL has declined various approaches to lease this site, which is prominently located on the intersection of the Tasman Highway and Pittwater Road, opposite the Barilla Bay restaurant and oyster farm and Tasmania Golf Club.

Suitable uses (as defined under the Airport Master Plan) are similar to those set out in relation to the North Holyman Zone (above) with additional potential, due to its position, for:

- Local Shop;
- Restaurant; and
- Licensed establishment.

7. South Pittwater Zone

The South Pittwater Zone, indicated at point 7 on the master diagram, covers an area of approximately 70 hectares. This parcel of land (with frontage onto Pittwater Road and Seven Mile Beach) includes 28 hectares recently purchased from the State. It falls partly within and partly outside the Commonwealth's title to the Airport and, as such, the 28 hectare component is subject to the local planning jurisdiction (currently zoned Active Recreation by the Council).

The whole parcel is nominally zoned Commercial/Industrial and General Aviation under the Airport Master Plan and consists of a pine plantation, woody scrubland and open areas. It is also partly subject to a lease (granted by the State during its ownership) to the Monmouth Pony Club, which expires in 2010.

HIAPL intends, subject to the Commonwealth's agreement, to adhere the 28 hectares to the Commonwealth's title and for it to form part of the Airport site, which will then take it outside the local planning jurisdiction and under the *Airports Act 1996 (Cth)* planning process. HIAPL purchased this land to enable the construction of a parallel General Aviation runway and associated facilities, should the nearby Cambridge Aerodrome close. With this in mind, there are a range of other suitable uses under the Airport Master Plan similar to those set out in the North Holyman Zone (above). In addition, given the location overlooking Seven Mile beach, this area would be well suited for:

- Hotel – developers have shown interest in building a hotel on this area; and
- Caravan park and camping ground – enquiries have been received to locate a facility on this area.

8. South Surf Road Zone

The South Surf Road Zone, indicated at point 8 on the master diagram, covers an area of approximately 57 hectares. This parcel of land (with frontage onto Surf Road and Seven Mile Beach) includes 39 hectares recently purchased from the State. It falls partly within and partly outside the Commonwealth's title to the Airport and, as such, the 39 hectare component is subject to the local planning jurisdiction (currently zoned Active Recreation by the Council).

The whole parcel is nominally zoned Commercial/Industrial and Freight/General Aviation under the Airport Master Plan and also consists of a pine plantation, woody scrubland and open areas. It is also partly subject to a right of way in favour of the Llanherne Golf Club.

HIAPL intends, subject to the Commonwealth's consent, to adhere the 39 hectares to the Commonwealth's title, which will then take it outside the local planning jurisdiction and under the *Airports Act 1996 (Cth)* planning process and for it to form part of the Airport site.

HIAPL purchased this land to provide for future growth in aeronautical facilities on the Airport, with the opportunity for commercial development along an extension of Holyman Avenue to Surf Road. With this in mind, there are a range of other suitable uses under the Airport Master Plan similar to those set out in South Pittwater Zone (above).

9. North Apron Zone

The North Apron Zone, indicated at point 9 on the master diagram, covers an area of approximately eight hectares and is designated for freight and related purposes. It is also suitable for low height development, including self storage (previous interest has been shown by a developer) and car parking.

Other developments

HIAPL has agreed to lease a site to the Clarence City Council (CCC) for a district waste water treatment plant, to enable it to develop further the Cambridge district for industrial and commercial use. The new plant will have significant benefits for HIAPL as it is expected to operate to a higher standard than the existing plant, risks are transferred from HIAPL and capacity is provided for development. HIAPL will contribute \$500,000 to the cost of developing the plant (in four instalments through to June 2008) and will be allowed access to 180 ML (36% of capacity) per annum. Annual recurrent costs of operating the plant will be shared with the CCC on a ratio to inputs (estimated cost to HIAPL \$70,000 per annum offset by removal of current cost of operating own plant of c.\$70,000 per annum). Due to the benefits that are expected to accrue to HIAPL, a peppercorn rent is being charged to CCC however, there is provision for a market land rent in certain circumstances.

4.3.2.2 Planning and Development Consents

Planning and development on the Airport is governed by Commonwealth legislation which requires all development must be in accordance with an approved Airport Master Plan, an Approved Major Development Plan for developments over \$20 million (and some aeronautical related developments under \$20 million) and the Airport Environment Strategy. The Federal Court has given a broad interpretation to allowable uses and allows, for example, retailing.

Most developments under \$20 million, provided they are in accordance with the Airport Environment Strategy and Airport Master Plan, are dealt with solely by direct application for building or works approval to the Airport Building Controller (a Commonwealth appointment) and do not involve prior formal planning applications, public advertising or third party rights. The Airport Building Controller will ordinarily refer any application to the Airport Environment Officer (another Commonwealth appointment) for assessment and comment. If appropriate, applications

will also be referred to appropriate licensing authorities. Generally approvals are forthcoming within four weeks of application being made.

Under Part 5 of the *Airports Act 1996 (Cth)*, some developments under \$20 million still require an approved Major Development Plan. These developments include passenger terminal facilities and developments that are likely to have significant environmental and ecological impact. There are also aggregating provisions in the *Airports Act 1996 (Cth)* for consecutive or concurrent projects.

Developments in excess of \$20 million require a formal Major Development Plan in accordance with Part 5 of the *Airports Act 1996 (Cth)* and, depending on their nature, are similar in process to comparable developments off airport that are subject to local and State planning laws (but without third party merit appeal rights).

Additional development controls are imposed by:

- HIAPL's Head Lease from the Commonwealth which includes an obligation to maintain assets, develop aeronautical capacities, protect the environment, obtain insurances and, during the last 10 years of the lease, to obtain Commonwealth approval for the demolition or removal of any improvements; and
- Other applicable Commonwealth and State legislation, covering such matters as heritage and cultural protection, the environment, licencing requirements and threatened species.

3.3.1 CONSERVATION PROPERTY

HIAPL prepared its Airport Environment Strategy 2005 with a view to creating greater certainty for the future development of available development land at the Airport while appropriately identifying environmentally significant features for conservation.

The outcome of the strategy is that nearly 140 hectares of Airport land was confirmed as environmentally significant for its flora, vegetation or cultural heritage. These areas remain theoretically able to be developed, through the Major Development Plan process laid down in the *Airports Act 1996 (Cth)*, and no covenants have been agreed to by HIAPL over the land for environmental purposes.

HIAPL is negotiating with the State for the areas to be the subject of a Vegetation Management Agreement, as an expected follow-through from the preparation of the strategy.

3.4 RECHARGE AND OTHER INCOME

Utilities and infrastructure is provided and maintained by HIAPL on site. This includes:

- Electricity (both grid and standby);
- Water; and
- Sewerage.

The majority of the associated costs are passed on to tenants as described in section 4.9 with a profit element either recharged directly or included in the annual lease charge. In FY08, total recharges are forecast to be \$2.3 million, due to increased outgoings from the redeveloped terminal building and a new terminal recharging regime agreed with the airlines. Recharge income is forecast to increase substantially again in FY09 as the DFO and other property developments begin operation.

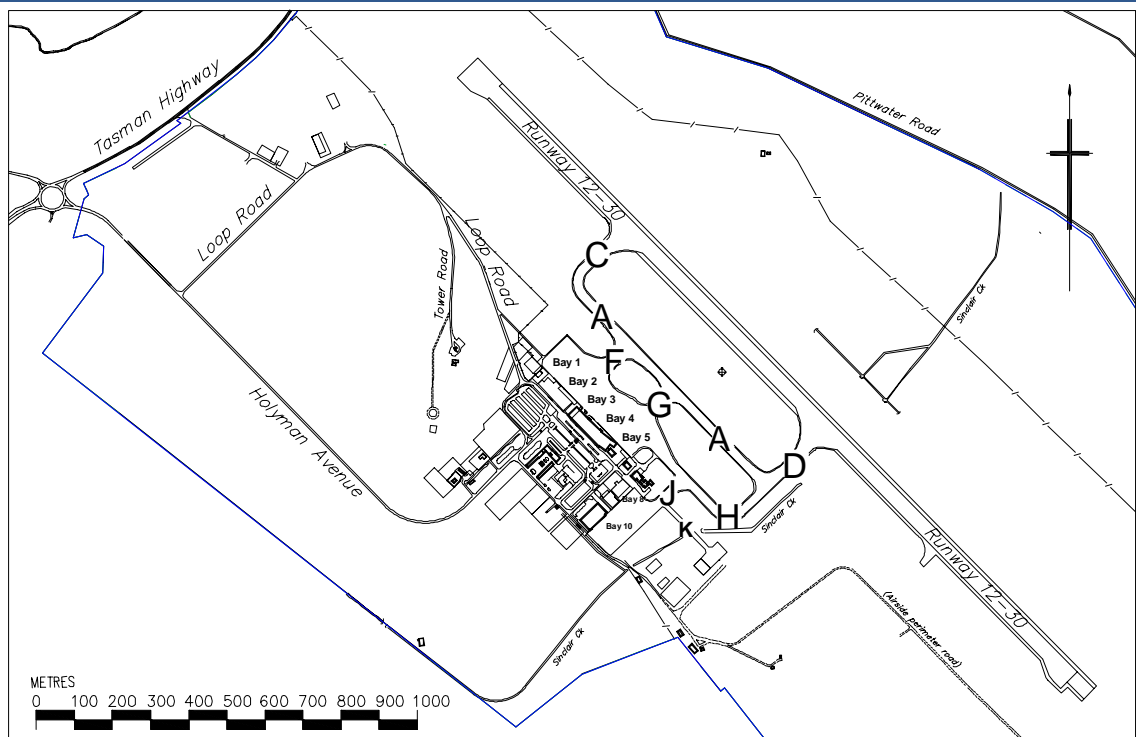
4. MAJOR ASSETS AND FACILITIES

Hobart Airport has a single runway system serviced by a simple taxiway network connecting to the parking aprons. Land is available for the taxiway to be extended to the full runway length.

There is one combined terminal building with facilities for both international and domestic operation. There are domestic freight facilities and offices, and HIAPL's workshops and standby power generation facilities in its administration and operations compound.

Hobart Airport's major airport facilities, terminal and terminal area, runway, taxiways and roads are illustrated in diagram below.

HIAPL RUNWAY, TAXIWAYS AND ROADS



Source: HIAPL

Letters indicate taxi-ways

4.1 GROUND ACCESS

Hobart Airport is located on the Tasman Highway, which links the Airport with the City of Hobart. In addition to taxi and limousine services, there is a regular airport bus service which meets scheduled passenger flights and operates between the Airport, Hobart CBD and major hotels.

4.2 RUNWAY, TAXIWAYS AND APRONS

The runway, taxiways, aprons and visual navigation aid systems are provided and maintained by HIAPL. Airservices Australia is responsible for the supply and operation of radio navigation systems.

Normal maintenance of the airside pavements by HIAPL staff consists of frequent inspection, crack sealing as required, occasional minor patching, sweeping, and scheduled regular line marking. Larger patches may be done by contract. On the recommendation of professional pavement assessments periodically commissioned by HIAPL, the pavements underwent rubber removal and surface enrichment spray treatment in 2003 and are scheduled to be re-treated in the current financial year. The touchdown zones are also scheduled to be overlaid in FY08F at a cost of \$1.2 million which should result in the runway remaining in an acceptable condition for at least ten years.

Maintenance of the visual aid systems by HIAPL's specialist staff accounts for the comprehensive demands of civil aviation safety regulation and aviation industry needs.

Visual Aids

Visual aids include T-VASIS, runway lights, approach lights, taxiway lights, apron floodlights and hazard beacons. HIAPL has an Aerodrome Frequency Response Unit (**AFRU**), incorporating Pilot Activated Lighting which allows pilots to turn on all airport lights when approaching at night when the control tower is not manned.

Runway and Taxiways

The Airport has a single 12/30 aligned NW/SE runway. It is 2,251 metres long, 45 metres wide and is classified a Code 4 runway.

HIAPL's runway is capable of being extended, however, as there has been no operational requirement for such an extension to date, no formal assessments have been undertaken.

The high strength flexible runway is constructed with a grooved asphaltic concrete surface and has a pavement classification number (**PCN**) of 63. It is adequate for unrestricted operations up to and including B767/A300 aircraft. B747 aircraft and other similar large aircraft can operate under pavement concession if necessary and subject to weight restrictions imposed by current runway length. The runway conforms to Civil Aviation Safety Authority (**CASA**) standards for up to Code E aircraft.

The runway is serviced by a partial length parallel taxiway with two runway exits and supplementary field taxiways. Taxiways C and D connect the parallel taxiway A to the runway, and taxiways D, F, G and H connect taxiway A to the RPT apron. Taxiway H, with taxiway J, also connects the field taxiways to the freight aprons. These taxiways are 23 metres wide, with widened areas to accommodate Code D and E aircraft, and are constructed of asphaltic concrete. Their strength is consistent with the runway strength. Taxiway K, connecting taxiway J to the GA apron is 10 metres wide and it and the GA apron are sealed and limited to aircraft not above 5,700 kilograms maximum take-off weight (**MTOW**).

Aprons

The domestic / international and freight aprons are also asphaltic concrete surfaced and constructed consistent with the runway and taxiways.

The capabilities of all aprons are as follows:

- Domestic apron – five parking bays for B737-800/A320 aircraft, operating on a power in / power out basis, with a limited additional capacity for light aircraft at the apron's northern end, provided with in-ground tie down points;
- International apron – overlying two of the domestic bays, a bay for up to B747 sized aircraft, operating on a power in / power out basis;

- Freight apron – two parking bays which can accommodate aircraft up to B737-300/A320 aircraft, operating on a power in / power out basis, with a limited additional capacity for light aircraft at the apron's western end; and
- General aviation apron – sealed apron in conjunction with a formed grassed area abutting the freight apron providing space for up to 12 aircraft up to 5,700 kilograms MTOW, with in-ground tie down points provided on the sealed apron.

4.3 DOMESTIC AND INTERNATIONAL TERMINAL

HIAPL has completed stage 1 (car rental and departure lounge development) and stage 2 (check-in hall and checked baggage screening facility) of its \$26 million terminal redevelopment and stage 3 (Qantas arrivals / lounge refurbishment) is under negotiation with Qantas. The redevelopment has resulted in a larger, modern terminal facility with increased retail concessions, departure lounges, screening point, common user check-in hall and improved security including checked bag screening (which will be mandatory at most Australian RPT airports by December 2008). The terminal redevelopment has delivered an immediate uplift in HIAPL's earnings from August 2007, through increased airline rentals and retail concession income.

The terminal is generally single level and covers a total area of approximately 10,000 square metres including all baggage handling and airline operations areas.

The terminal is operated by HIAPL with certain operational areas leased or licensed by HIAPL to Virgin Blue, Jetstar and Qantas. Retail areas are leased to Delaware North and Australian Way. HIAPL provides common user passenger facilities throughout the terminal with the exception of the area leased to Australian Airlines (Qantas) under the DTL.

4.4 FREIGHT FACILITIES

The Airport has domestic air freight facilities for AAE and Toll (Virgin Blue):

- AAE – two buildings covering a total area of approximately 3,500 square metres located to the south of the passenger terminal. HIAPL is currently negotiating to relocate AAE's operations to an area north of the passenger terminal, making their current location available for expansion of GA and resulting in further revenue and greater flexibility in the use of the southern area; and
- Toll (Virgin Blue) – a single building covering a total area of approximately 900 square metres located to the north of the passenger terminal building.

4.5 REFUELLING FACILITIES

Hobart Airport's fuel distribution system is provided by BP Air Services. HIAPL has no responsibility for the provision of aircraft refuelling services. The fuel distribution system consists of a fuel storage facility inside the airside security fence and tanker supply to the aircraft. BP pays an annual site lease rent of \$44,000, plus an access licence fee of \$22,000, in lieu of a fuel throughput charge.

4.6 OTHER AVIATION FACILITIES

General Aviation

GA facilities are located south of the freight apron and consist of a taxiway and parking facilities.

Air Traffic Control

The control tower for the Airport is operated by Airservices Australia on land leased from HIAPL. The operating hours of the control tower are currently 0600 to 2230 hours seven days per week. These hours are reviewed regularly and depend on such factors as the requirements of regular public transport.

4.7 CAR PARKS

Car park facilities are described in section 3.2.1.

4.8 GROUND FACILITIES

Ground Transportation System

The operational and commercial facilities at Hobart Airport are served by a ground transportation system which includes approximately six kilometres of sealed public roads and seven kilometres of restricted access gravel roads. These roads are provided and maintained by HIAPL.

HIAPL Administration Building

The HIAPL administration building is located opposite the passenger terminal complex, in a combined administration and operations compound. The administration area has a floor space of approximately 400 square metres and the operations buildings cover a combined area of approximately 1,200 square metres. The administration building and part of the operations facilities are planned to be moved to provide additional public car parking.

4.9 UTILITIES

HIAPL provides and maintains some of the major utilities at Hobart Airport. The cost of maintaining and upgrading the utilities is partly recouped from charges levied on HIAPL's tenants.

Electricity

HIAPL distributes electricity at the Airport. Aurora supplies HIAPL with high voltage electricity through a high voltage feeder to HIAPL's switching station, located adjacent to Holyman Avenue. HIAPL then distributes the electricity via its own high voltage and low voltage networks to Airport tenants.

HIAPL also has standby generation equipment to ensure continuity of essential power for Airport operational facilities and certain paying tenants should there be a failure in the Aurora supply. Aurora power lines cross Airport land, some of which are the subject of licences.

HIAPL typically charges tenants for electricity supply at an equivalent rate to the existing retail charge, providing a profit margin over HIAPL's cost. The cost of maintaining the associated infrastructure in FY07 amounted to \$224,000 (including \$121,400 depreciation of infrastructure).

Water

Water is supplied to HIAPL by CCC. HIAPL's water system infrastructure consists of water mains, a storage reservoir, a reticulated network throughout the Airport building area, fire hydrants and fire booster pumps maintained by HIAPL.

A Hobart Water main crosses the Airport within an easement to service the Municipality of Sorell.

HIAPL typically charges tenants for water supply at an equivalent rate to the existing council charge, providing a profit margin over HIAPL's cost.

Sewerage

HIAPL provides and maintains the sewerage system including a waste water treatment plant at Hobart Airport. HIAPL is also responsible for installing and maintaining the Airport's sewerage infrastructure including the main waste water treatment plant, pumping stations and related infrastructure, including within the buildings for which it has responsibility. Airport tenants (under site leases) are responsible for sewerage fittings within their premises.

Treated water is discharged into Sinclair Creek which ultimately discharges into Pitt Water. The plant is operated under Department of Primary Industry and Water licence conditions.

HIAPL typically charges tenants for sewerage supply at an equivalent rate to the existing council charge, providing a profit margin over HIAPL's cost.

HIAPL has agreed to enter into an agreement with the CCC to develop a District Wastewater Treatment Plant on the Airport as described in section 3.3.2.2.

Telecommunications

Telstra provides trunk services and is responsible for all network maintenance of the telecommunication system at Hobart Airport. Telstra also has public telephones in the terminal buildings.

HIAPL operates its own data and communications systems including a telephone Main Distribution Frame located in the administration building. This infrastructure is used by HIAPL for its own purposes and is shared with Airservices Australia and Telstra. Telstra also provides ADSL services to HIAPL and some of its tenants.

Crown Castle Australia Pty Ltd leases a site for a mobile telecommunications tower within the grounds of the Airport. The lease expires in 2010 and generates \$12,000 per annum.

Fire Fighting

HIAPL has no responsibility for the provision of fire fighting services other than its general responsibilities as landlord and Airport operator.

ASA's Aviation Rescue and Fire Fighting (**ARFF**) is primarily responsible to provide the initial response to emergencies at the Airport, including fires and alarms. During its operational hours (05:00 until after last scheduled passenger operation) ARFF is formally the combat agency for airside fires and for aircraft emergencies generally, as well as for fires at buildings fronting the airside - such as the passenger terminal - to the extent the fire might represent any threat to the safety of aircraft operations.

The Tasmanian Fire Service (**TasFire**) is the combat agency for fires in the public areas of the Airport other than the above buildings and circumstances, and for all fires outside ARFF operational hours. During its operational hours ARFF is the initial combat agency until TasFire's

arrival. ARFF has formulated, documented and holds contingency plans to cover its out-of-hours unavailability.

TasFire is the ongoing combat authority for any structural failure events and lead combat agency for any hazardous material incident at the Airport. ARFF and TasFire assist each other in their lead combat roles. ASA, through either Air Traffic Control or ARFF, notifies other required response agencies.

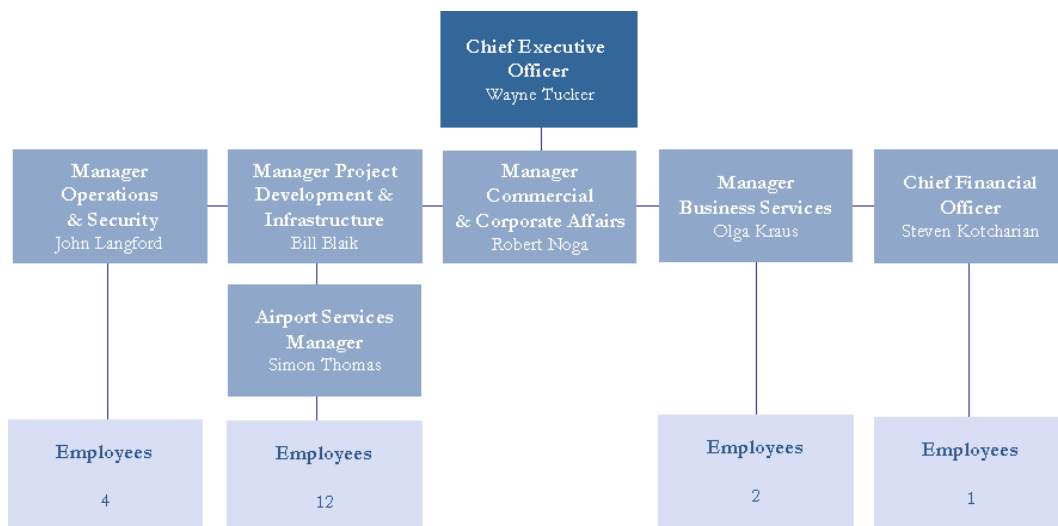
Drainage

The Airport site drains generally from west to east via several drainage channels and pipes, into Sinclair Creek and then to Pitt Water. A limited area drains to the north through a drainage easement and into Barilla Bay.

5 MANAGEMENT AND EMPLOYEES

5.1 ORGANISATIONAL STRUCTURE

As at 15 September 2007, HIAPL had 26 staff, including seven senior executives. HIAPL is responsible for the maintenance of aeronautical, water (including reticulation and storage), sewerage (including reticulation and treatment), electrical, mechanical and road assets within the Airport site. The organisational structure of HIAPL is provided below.



5.2 SENIOR MANAGEMENT TEAM

HIAPL’s senior management team has extensive industry experience – individuals have, on average, approximately 15 years of airport and related experience each. Brief biographies of the team are provided below.

NAME	POSITION
Wayne Tucker <i>Diploma Corporate Management, MAICD, MILT MAIM</i>	CHIEF EXECUTIVE OFFICER Wayne was appointed CEO of HIAPL in 1998. He was General Manager Alice Springs Airport for five years prior to this appointment and General Manager Archerfield Airport for the five years prior to that. He has worked in the aviation field for a total of 24 years. Wayne holds a Diploma in Corporate Management from the Australian Graduate School of Management, a Company Directors Diploma from University of New England and is a qualified engineering surveyor. He is a Director of Tasmania’s South Regional Tourism.
Robert Noga <i>LL.B., MPubAdmin., FAICD, FAIM, MILT</i>	MANAGER - COMMERCIAL & CORPORATE AFFAIRS, COMPANY SECRETARY /GENERAL COUNSEL Robert joined HIAPL in 1999 as Manager Business Development & Operations. Prior to that he held senior legal, management and policy positions in local government, practiced in the private sector as a commercial and property, planning and building lawyer (acting for the Federal Airports Corporation) and had his own business as a consultant in corporate change management. Robert is a qualified airport safety and reporting officer, and Barrister and Solicitor of the Supreme Court of Tasmania. He is also a Colonel Legal Consultant in the Australian Army Reserve.

NAME	POSITION
Steven Kotcharian <i>BCom, ICAA, AICD</i>	<p>CHIEF FINANCIAL OFFICER</p> <p>Steven was appointed CFO of HIAPL in 2005. He is responsible for the management and delivery of strategic financial analysis and advice, preparation of accounts, IT, payroll and is the alternate Company Secretary. Previously he was Management Accountant at HIAPL and held positions at KPMG and the Australian National Audit Office.</p>
Bill Blaik	<p>MANAGER - PROJECT DEVELOPMENT & INFRASTRUCTURE</p> <p>Bill joined HIAPL as Manager – Project Development in August 2006 reporting to the Chief Executive Officer. He is responsible for the overall management of all project activity ensuring the identification, feasibility, design and construction of projects. Prior to joining HIAPL, Bill was employed by the Gandel Group and Colonial First State Property Management as Operations Manager of both Eastlands (Hobart) and Corio (Geelong) Shopping Centres.</p>
John Langford <i>B.Eng (Civil)</i>	<p>MANAGER - OPERATIONS & SECURITY</p> <p>John joined HIAPL in 2003 in the new position of Manager Operations and Infrastructure. He is now responsible for managing the HIAPL's compliance with Commonwealth and other regulation of aviation security, civil aviation safety and the environment at the Airport. He is also responsible for providing aeronautical master planning and corporate quality management services to the HIAPL. Prior to joining HIAPL, John's 25 year career had been in the airports divisions of the Commonwealth and Ansett in planning, development, operations and maintenance.</p>
Olga Kraus	<p>MANAGER - BUSINESS SERVICES</p> <p>Olga is currently responsible for strategic oversight, human resources, stakeholder relations and marketing at HIAPL. She has been with HIAPL since 2000 initially in the role of the Executive Assistant. She has also, until recently, been the Quality Manager for HIAPL for the AS/NZS ISO 9001:2000 quality management system. Olga is currently working towards completing her part time Bachelor of Commerce degree at the University of Tasmania. Prior to joining HIAPL, Olga worked in Asia and Europe in various administrative roles.</p>
Simon Thomas	<p>AIRPORT SERVICES MANAGER</p> <p>Simon was recently appointed as Airport Services Manager to co-ordinate the works of Electrical, Mechanical and Grounds Services and manage the maintenance and assist in the development of the Airport's infrastructure assets. He commenced his aviation career in 1983 after five years in the heavy mining industry. Simon has an Associate Diploma of Electrical Engineering, Diploma of Management and holds HIAPL's Electrical Contractor's License.</p>

5.3 OPERATIONS STAFF

The remaining 19 staff members are responsible for the day to day operations of the Airport. Individual staff members have been with HIAPL for an average of 14 years each. The key responsibilities of the team are detailed below.

Ground Services – Seven Individuals

The Ground Services employees are responsible for maintaining and improving Airport grounds, facilities and services, including water and sewerage reticulation and wastewater treatment. They are responsible for minor buildings maintenance and repairs to aprons, taxiways, runways and roads and hold permits to operate heavy plant and machinery. Grounds Services employees provide the relief staffing for Airport Operations activities (including airside escorts and supervision) to maintain the Senior Operations Officer roster, and form an integral part of HIAPL's mandated emergency response plan.

Senior Operations Officers – Four Individuals

The Senior Operations Officers are responsible for the front line statutory monitoring and maintenance of the operational serviceability, safety, security and regulatory compliance of the Airport's aeronautical assets and operations. They operate on a 24 hour/seven day week roster providing the first response contact for public and Airport enquiries and incidents, particularly outside normal business hours. Pursuant to Hobart Airport's statutory Aerodrome Emergency Plan they provide a first response to aviation and other emergencies.

Duties include meeting statutory and other responsibilities for operations reporting officers, including services and works safety, security and safety patrolling, emergency response coordination, bird and animal hazard management, spills response and general airside management. Three Ground Services employees are also trained to perform Senior Operations Officer duties and two of these formally undertake relief shifts.

Engineering – Five Individuals

Three of the Electrical Services employees are responsible for the installation, modification and maintenance of airport electrical facilities, including high and low voltage reticulation within the Airport, airfield ground lighting systems, stand-by generators, carpark and public building systems, data and communications, pump stations and street and apron floodlighting. Contract work for tenants is undertaken on an "as available" basis and recharged back to them.

One of the Electrical Services employees is responsible for the operation and routine maintenance of the Airport's baggage handling and checked bag screening systems to meet performance and customer KPIs and to ensure a safe working environment.

One Mechanical Services employee is responsible for the modification and servicing of the Airport's mechanical facilities and plant, including stand-by generators, pump stations, tractors, trucks and sweeper. Maintenance of small engine plant, steel fabrication work and servicing of fleet vehicles is undertaken on site by this employee.

Administration – Three Individuals (including one part time)

The administration staff are responsible for accounting and finance, customer service and administrative support of the CEO and his team. As well as general administration, the staff perform specialised functions such as management and processing of accounts payable, accounts receivable, general ledger and banking; and management of aviation security matters.

5.4 EMPLOYMENT TERMS

Senior Management Team

Employment terms for the senior management team are set out in individual contracts. Generally, their terms include monthly salary, provision of a car and three months written notice by either the employee or HIAPL before resignation or termination.

Enterprise Agreements

Of the 26 permanent staff employed by HIAPL as at 15 September 2007, 19 employees are award employees. The terms of employment for these employees are set out in the following:

AGREEMENT	SCOPE	END DATE	EMPLOYEES
Hobart Enterprise Agreement 2006-2008	Terms of employment for HIAPL and its employees (all 19 staff) (includes redundancy provision)	31 December 2008	Ground Support – 7 individuals Senior Operations – 4 individuals Engineering – 5 individuals Administration – 3 individuals
Airport Employees Award 1991	Safety Award	NA	All of the above

Each agreement has been certified by the Australian Industrial Relations Commission under the *Industrial Relations Act 1988*.

Three unions are party to the agreements: Liquor, Hospitality and Miscellaneous Workers Union; Community and Public Sector Union – PSU Group; and Communications Electrical Electronic Energy Information Postal Plumbing and Allied Services Union.

HIAPL has not experienced any industrial disputation in the history of the company and has successfully concluded four consecutive enterprise agreements during this period without any industrial action being taken. HIAPL has developed strong relationships with its employees and the unions who represent them, based on continued business growth and profitability.

5.5 SUPERANNUATION

All HIAPL employees maintain their own eligible superannuation funds. HIAPL pays a uniform 15% of salary into each employee's fund. Quadrant is HIAPL's default superannuation fund.

5.6 OH&S AND WORKERS' COMPENSATION

HIAPL has in place the OH&S policies, systems and reporting and review procedures required by the *Workplace Health and Safety Act 1995 (Tas)*. HIAPL retains an external consultant to provide independent guidance and advice on the administration and management of its OH&S obligations, and to maintain currency with legislative requirements and best practices. The consultant conducts regular training sessions for management and employees.

HIAPL has an excellent OH&S record, with no serious lost time injuries since 1998.

5.7 TRAINING AND DEVELOPMENT

HIAPL has a policy of continuous improvement with training provided as a matter of good corporate policy and under regulation including HV switching; aerodrome lighting systems, Austel electrical works, Airport Reporting Officers and Works Safety Officers (airside works), OH&S, plant operations and tower rescue safety. Staff attend a variety of training programs which relate to:

- Management/leadership training;
- Skill enhancement;
- Personal and career development;
- Security and awareness;
- Environmental; and
- Management of bird and animal hazards.

6. REGULATION

HIAPL is subject to a range of aviation, property and employment (CASA – Drugs and Alcohol; security, operations and training) related legislation specific to the operation of the Airport, the ownership of the operating lease and the management and development of the site due to the site's Commonwealth ownership. A list of primary applicable legislation is set out at Appendix C.

HIAPL's principal obligation under the *Airports Act 1996 (Cth)* and its lease from the Commonwealth is to maintain, operate and grow the aeronautical infrastructure of the Airport to meet airline and passenger needs. Management and operation of the aeronautical activities of the Airport itself are regulated by a range of Commonwealth legislation and Standards, manuals HIAPL holds as a consequence of principally: *Airports Act 1996 (Cth)*, *Air Services Act 1995 (Cth)*, *Aviation Transport Security Act 2004 (Cth)*, *Air Navigation Act 1920 (Cth)*, *Civil Aviation Act 1988 (Cth)* and their respective Regulations, and HIAPL's Aerodrome Manual, Transport Security Program and environmental strategy. These are administered by various Commonwealth agencies, including CASA, Airservices Australia, and Department of Transport and Regional Services (**DOTARS**). Regular scheduled and unscheduled compliance audits are conducted by the Commonwealth. HIAPL devotes increasing resources to the compliance regime to ensure that its lease and operating licence are maintained.

Given that the land comprising the Airport is owned by the Commonwealth, land management and conservation issues are dealt with by the Commonwealth on a best practice basis. The requirements of the *Environment Protection and Biodiversity Conservation Act 1999 (Cth)* are having an increasing impact on Airport property management and development, with the Commonwealth paying greater attention to the preparation of Airport Environment Strategies, Airport Master Plans and any major development plans that may be required under the *Airports Act 1996 (Cth)* (level of detail and community consultation) and to development documentation and practices. Annual audits, particularly relating to the Head Lease obligations, security, operations and environmental management, are conducted by DOTARS and CASA.

Whilst HIAPL is generally exempt from State planning and building laws, it is otherwise subject to concurrent Commonwealth and State property related legislation that sometimes overlap and conflict.

Significant penalties (corporate and personal) apply for non compliance with regulatory requirements. HIAPL has met all its material obligations since 1998.

Terms of Airport Lease

HIAPL operates under a long term Commonwealth lease until 2097 (assuming renewal in 2048). Property development is allowed under the lease within set parameters. Rights and obligations under the lease are summarised below:

The Commonwealth has reserved:

- Mining rights (e.g. the sale of sand may be prohibited); and
- The right to grant easements and other similar rights for the supply of utilities, and the provision of transport services to the public.

HIAPL enjoys the following rights under the lease:

- To use the Airport for purposes not prohibited by legislation and not inconsistent with its use as an airport; and
- To construct, alter, remove, add to or demolish the “structures” (fixtures and other improvements etc) except after year 40 when the Commonwealth’s consent is required if the option to renew has not been exercised.

A number of duties are imposed on HIAPL including:

- To maintain and operate the airport site as an Airport;
- Ensure appropriate insurance policies are in place for the Airport and its contractors;
- Maintain the airport in good repair and protect the Airport environment in accordance with legislative requirements;
- To develop and grow the Airport in accordance with best practice to meet aeronautical requirements
- Not to grant any sub-lease contrary to the *Airports Act 1996 (Cth)* and the Airport Regulations 1997 (Cth) (e.g. gambling, prostitution, natural persons, trusts, etc);
- To effect capital improvements in accordance with the Airport Master Plan 2004;
- To pay the Commonwealth the cost of Airport Environment Officer services;
- To obtain the Commonwealth’s prior written approval to any Loan Security;
- To pay all applicable taxes and rates when they are due and payable;
- To exercise the option to renew the lease in its 40th year; and
- On the determination or expiration of the lease, to give the Commonwealth the option to purchase certain assets.

Price Regulation

HIAPL is not subject to any price or other economic regulation following decisions by the Productivity Commission and the Commonwealth Treasurer in 2002 and confirmed in 2006, allowing it to negotiate terms with airlines and tenants on a commercial basis and providing scope to pursue non-aeronautical developments.

7. FINANCIAL INFORMATION

7.1 INCOME STATEMENT

HIAPL's financial results for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 (**FY05**, **FY06** and **FY07**) and forecasts for the years ending 30 June 2008 (**FY08F**) and 30 June 2009 (**FY09F**) are presented below.

The financial information for FY05, FY06 and FY07 is based on audited financial accounts, adjusted to remove one-off and non-recurring items in order to present comparable information with management's FY08 and FY09 forecasts. These adjustments are detailed in section 7.8. The FY08 and FY09 forecasts represent HIAPL management's forecasts and have not been subject to any independent review. Potential acquirers of HIAPL should conduct their own analysis and form their own views on the forecasts and underlying assumptions.

HIAPL INCOME STATEMENT FY05-FY09F

\$'000	FY05	FY06	FY07	FY08F	FY09F
Revenue					
Aeronautical	6,275	6,990	7,072	7,297	7,489
Trading	3,436	5,013	5,469	5,882	6,194
Property	2,589	2,818	3,277	5,470	7,137
Recharges	691	881	990	2,299	3,174
Other	154	36	24	3	3
Total Revenue	13,146	15,737	16,833	20,952	23,997
Salaries and on-costs	1,583	2,061	2,410	2,702	2,795
Services and utilities	1,201	1,636	1,767	2,915	3,694
General administration	1,897	1,502	1,599	1,346	1,258
Maintenance	452	434	535	701	729
Total expenses	5,134	5,634	6,310	7,644	8,476
EBITDA	8,012	10,103	10,522	13,288	15,521
Revenue growth	17.9%	19.7%	7.0%	24.5%	14.5%
EBITDA margin	60.9%	64.2%	62.5%	63.4%	64.7%

Note: The above financial information has been normalised. See section 7.8 for a discussion of these adjustments

7.2 DISCUSSION OF KEY TRENDS

FY05 to FY06

Revenue in FY06 increased by \$2.6 million, or 20% compared with the prior year. The key drivers were:

- \$0.7 million increase in aeronautical revenue driven by an increase in the passenger charge from \$4.00 to \$4.25 in July 2005 and a 5.3% increase in passenger numbers principally driven by an increase in the number of travellers visiting friends and relatives; and

- \$1.6 million increase in trading revenue predominately due to:
 - \$0.7 million increase in car parking revenue driven by a 30% increase in the number of car parks, increase in car parking rates in May 2005, direction of all traffic through the carpark and increase in passenger numbers;
 - \$0.5 million increase in concession income driven by the opening of the new concession outlets (Australian Way and Delaware North) as part of the stage 1 terminal refurbishment which was completed in June 2005; and
 - \$0.3 million increase in car rental income driven by an increase in passenger numbers and an increase in the turnover fee from 7.5% to 9% in July 2005.

The EBITDA margin increased from 60.9% to 64.2% in the period as the revenue increase was delivered on a largely fixed cost base. Other points of note include:

- Employee costs increased due to an award increase in salaries of 4% and an increase in the number of full time equivalent (**FTE**) employees from 20 to 22.5;
- Services and utilities increased due to increased cleaning costs associated with the stage 1 terminal redevelopment completed in June 2005, and increased car park management costs associated with the expansion of the valet service; and
- General expenses decreased due to rebates earned in FY05 not being earned in FY06.

FY06 to FY07

Revenue in FY07 increased by \$1.1 million, or 7%, compared with the prior year. The key drivers were:

- \$0.5 million increase in trading revenue driven by an additional 400 car parks and continuing growth in retail concession revenue; and
- \$0.5 million increase in property revenue due to increased domestic terminal rents (driven by passenger number growth and CPI), increased outgoings recovery and new tenancies.

The EBITDA margin in FY07 fell from 64.2% to 62.5%. This was driven by an increase in salary costs as employee numbers increased from 22.5 FTEs to 25.5 (a new project manager for project development and infrastructure, one new electrician and one additional ground staff), increased consultancy costs for development of the DFO and hotel/motel and other projects and increased services and utilities and property maintenance costs related to the ageing of the runway, taxiways, aprons, roads and car parks.

FY07 to FY08F

Revenue in FY08 is forecast to increase 24% compared to the prior year. The key drivers are:

- \$2.2 million increase in property income principally following introduction of the Domestic Terminal Building (**DTB**) stage 2 development charges from August 2007;
- \$1.3 million increase in recharged expenses due to recovery of the new terminal outgoings;
- \$0.4 million increase in trading revenue from car parking, car rental and retail concessions driven by the assumed 3% increase in passenger numbers; and
- \$0.2 million increase in aeronautical revenue driven by an assumed 3% increase in passenger numbers.

The EBITDA margin for FY08 is forecast to increase from 62.5% to 63.4% as most of the new terminal passenger charges represent an improved return compared with the previous charging regime.

FY08 to FY09F

Revenue in FY09 is forecast to increase 15% from the prior year. The key drivers are forecast to be:

- \$1.7 million increase in property revenue driven by:
 - Recognising a full year of the stage 2 passenger charge (additional one month) and assumed full year of the stage 3 passenger charge (additional nine months) relating to the development of the DTB and increased passenger numbers; and
 - Commercial revenue from an assumed four months of DFO rental, nine months of the upgraded AFP building and eight months of motel and fuel station revenue;
- \$0.9 million increase in recharged costs driven by the new commercial leases entered into;
- \$0.3 million increase in trading revenue driven by an assumed 3% increase in passenger numbers; and
- \$0.2 million increase in aeronautical revenue driven by an assumed 3% increase in passenger numbers.

The EBITDA margin in FY09 is forecast to increase from 63.4% to 64.7% as the increased rental income noted above has limited associated incremental costs.

Forecast Assumptions

The FY08 forecast was prepared based on the actual results for July and August 2007 and the forecast for the 10 months ending 30 June 2008. Specific assumptions adopted in the forecast for FY08 and FY09 are detailed and discussed below.

Forecast Assumptions	FY08 F	FY09F
CPI	3%	3%
Passenger growth	3%	3%
EBA salary increments	4%	4%
Superannuation contribution rate	15%	15%
Car rental turnover fee	9%	9%
Charge per campervan	\$12.00	\$12.00
Increase in car parking rates	nil	nil
Charge per taxi	\$2.00	\$2.00
Charge per staff car park per day	\$2.00	\$2.00
Aeronautical passenger charge	\$4.25	\$4.25
Terminal passenger charge	\$2.42 to \$2.61	\$2.70

Discussion of Key Assumptions

- CPI and passenger growth assumptions are based on HIAPL management's estimate;
- EBA and superannuation rates are based on employee contracts which are in place until December 2008;
- The car rental turnover fee is based on an agreement in place until June 2009. Car parking rates are assumed to remain at the current rates;
- The aeronautical passenger charge was agreed through correspondence with the airlines and applies until 30 June 2010; and
- The terminal passenger charge of \$2.42 per passenger was introduced in August 2007 following completion of the stage 2 terminal redevelopment. It is forecast to increase to \$2.61 following completion, assuming Qantas agrees to the stage 3 terminal redevelopment. This charge is linked to CPI and is agreed until 30 June 2010 (and the stage 3 charge agreed in principal).

7.3 DESCRIPTION OF OPERATING EXPENSES

The cost structure of HIAPL is largely fixed and is primarily influenced by total airport capacity rather than incremental increases in traffic volumes. Major expenses consist of:

Salaries and On-costs

Salaries and on-costs include direct labour costs (both employees and casuals but excludes executives) and employee on-costs. Employee on-costs include payroll tax, workers compensation, annual leave, fringe benefits tax, long service leave, sick leave and superannuation contributions. Direct labour costs have increased due to an increase in FTE employees from 20 in FY05 to 25.5 in FY07 due to an increase in security requirements and infrastructure.

HIAPL outsources many airside day to day functions including cleaning, air-conditioning maintenance, fire alarm, fire hydrant maintenance, car park staffing and landscaping.

Services and Utilities

Services and utilities expenditure primarily relates to expenditure on electricity, rates, security, cleaning, checked bag screening operations and car park management.

As noted in section 3.4 under the terms of the major property leases, HIAPL recovers certain services and utilities costs from tenants, including the airlines. HIAPL's utilities expenses are forecast to increase substantially as the DFO and property developments become operational.

HIAPL currently pays CCC rates on an ex-gratia basis, as per the lease agreement with the Commonwealth, for areas from which it derives commercial revenue. A significant component of these rates is recovered from tenants.

General Administration

The breakdown of major general administration expenses is shown below:

General Administration Expenses (FY08F)	\$'000
Insurance	440
Consultancies	302
Legal Fees	81
Training	80
Travel and accommodation	64
Printing and stationery	49
Audit fees	46
Employee costs - HR	41
Commonwealth Environmental and Building Officer	32
Employee costs - OH&S	30
Subscriptions	28
Rebates	27
Other	129
Total	1,346

Currently, HIAPL's insurance is placed and administered on a "group basis" through Tasports. Under HIAPL's airport lease it is required to maintain insurance for aviation liability, Industrial Special Risks, workers compensation, motor vehicle, directors and officers, corporate travel, personal accident and journey accident. HIAPL has an excellent claims history, with most claims relating to minor damage to HIAPL vehicles.

HIAPL management is supported by a limited number of specialist consultancies, the most significant of which relate to environmental management, water quality, OH&S, IT, aviation security, bird hazard management, obstacle limitation surfaces, aerodrome technical inspections and runway treatments.

Maintenance

Maintenance expenditure includes costs associated with maintaining HIAPL's assets and facilities. Maintenance expenditure does not include labour costs.

7.4 BALANCE SHEET

HIAPL's Balance Sheet at 30 June 2007 is presented below based on HIAPL's FY07 audited statutory accounts. This was prepared under AIFRS and includes interest bearing debt and cash, both of which are currently expected to be excluded from the transaction.

HIAPL BALANCE SHEET AS AT 30 JUNE 2007

\$'000	30 June 2007
Current assets	
Cash and cash equivalents	4,748
Trade receivables	652
Inventories	9
Other current assets	1,218
Total current assets	6,627
Non-current assets	
Property, plant and equipment	50,075
Investment property	3,548
Goodwill	21,091
Other intangible assets	1,185
Deferred tax asset	451
Prepaid operating lease	2,472
Total non-current assets	78,822
Total assets	85,449
Current liabilities	
Short-term borrowings	390
Trade and other payables	3,618
Current tax liability	838
Employee benefits	827
Total current liabilities	5,673
Non-current liabilities	
Long-term borrowings	38,619
Deferred tax liability	3,284
Employee benefits	17
Other non-current liabilities	1
Total non-current liabilities	41,921
Total liabilities	47,594
Net assets	37,855
Equity	
Share capital	7,658
General reserve	25,000
Retained earnings	5,198
Total equity	37,855

Note: Runway overlay sinking fund has been reclassified to cash and cash equivalents

Discussion of Key Balances

- Trade receivables principally consist of one month's rent charged in advance to HIAPL's tenants;
- Other current assets are mainly accrued rental charges for the last month in the financial year for HIAPL's customers;
- Other intangible assets consist of a lease on the Domestic Terminal to Australian Airlines Ltd (Qantas), which is due to expire on 9 October 2011;
- The prepaid operating lease is the 50 (+49) year Head Lease prepaid to the Commonwealth Government when the airport lease was purchased by HIAPL in June 1998;
- Borrowings comprise:
 - A \$389,621 overnight facility with Tasmanian Public Finance Corporation (**Tascorp**) which will be repayable upon the sale of HIAPL;
 - A \$31,500,000 fixed rate loan with Tascorp, which matures in 2014, but will be repayable upon the sale of HIAPL; and
 - \$7,119,421 remaining on a \$7,500,000 loan from Tasports, which matures in 2011-12, but will be repayable upon the sale of HIAPL.
- Employee benefits are the accumulated annual leave, long service leave, rostered days off and vesting sick leave entitlements for all employees;
- HIAPL is currently within the National Tax Equivalent Regime. It is expected that it will enter the Commonwealth Tax Regime upon the sale of the HIAPL to a new owner.

7.5 CASH FLOW STATEMENT

The following table presents a summary of HIAPL's historical and forecast cash flow. This is presented as cash flow before interest and tax as the capital structure of HIAPL is likely to change under a new owner.

HIAPL SUMMARY CASH FLOW STATEMENT FY05-FY09F

\$'000	FY05	FY06	FY07	FY08F	FY09F
EBITDA	8,012	10,103	10,522	13,288	15,521
Change in working capital					
Receivables	(124)	(876)	748	(974)	(13)
Inventory	(3)	(6)	3	(0)	(0)
Payables	570	389	1,759	(1,250)	22
	443	(493)	2,510	(2,224)	9
Stay in business capital expenditure	(277)	(515)	(518)	(2,329)	(1,900)
Cash flow before interest, tax and growth capital expenditure	8,178	9,095	12,514	8,735	13,630
Growth capital expenditure	(5,628)	(4,058)	(13,977)	(10,669)	(4,700)
Net Cash Flow before interest and tax	2,551	5,037	(1,463)	(1,934)	8,930

Note: EBITDA and receivables have been normalised. See section 7.8 for details of the normalisation adjustments.

HIAPL had a net cash outflow in FY07, principally driven by the capital expenditure on the DTB redevelopment. This is forecast to continue until completion of the terminal redevelopment. A strong cash in-flow is forecast from FY09 as revenue from new developments comes on stream.

7.6 CAPITAL EXPENDITURE

The following table lists the historical and forecast capital expenditure. Capital expenditure is noticeably high in FY07 and FY08F, driven by the terminal redevelopment and infrastructure to support property development. As highlighted below, the majority of recent capital expenditure has been to expand and improve the terminal and other buildings.

CAPITAL EXPENDITURE FY05-FY09F

\$'000	FY05	FY06	FY07	FY08F	FY09F
Buildings	5,198	3,932	13,012	6,560	2,600
Car parking	431	45	-	215	-
Operations	127	12	6	165	130
Infrastructure	18	66	324	5,554	3,550
Other	131	518	1,153	504	320
Total	5,905	4,574	14,495	12,998	6,600

Key capital expenditure items include:

- \$18 million on DTB redevelopment stage 2 and 3 from FY06-08F;
- \$7 million on infrastructure to support the DFO in FY08F and FY09F;
- \$1.2 million on resealing the runway in FY08F; and
- \$4.1 million on the AFP Building extension in FY08-09F.

Growth and Stay in Business Capital Expenditure

\$'000	FY05	FY06	FY07	FY08F	FY09F
Growth	5,628	4,058	13,977	10,669	4,700
Stay in business	277	515	518	2,329	1,900
Total	5,905	4,574	14,495	12,998	6,600

Growth capital expenditure in FY08F and FY09F primarily consists of expenditure on:

- DTB redevelopment stage 3;
- Car park expansion;
- AFP building extension; and
- Infrastructure to support DFO and other property development projects.

Stay in business capital expenditure consists of expenditure on:

- Improving security capabilities;
- Replacing and improving airfield lighting;
- Resealing the runway; and
- Vehicles, office equipment and minor plant.

The increase in stay in business capital expenditure is primarily due to the forecast runway resurfacing (discussed in section 4.2) in FY08 and replacing and improving the airfield lighting in FY09F.

In addition to the capital expenditure detailed above, if mandated by the Commonwealth Government, HIAPL will be required to spend approximately \$2 million in capital expenditure and increase its annual operations expenditure to improve the Airport's airside security inspection facilities. This expenditure will likely be recoverable through an additional passenger charge. There is no incremental passenger charge included in the Income Statement forecast above. It is presently unknown if and when HIAPL will have to incur this expenditure.

7.7 POTENTIAL UPSIDES TO FORECASTS

The forecasts provided in this Information Memorandum have been prepared on a “business as usual” basis assuming HIAPL continues to develop operations within the confines of existing capital and funding arrangements. Significant upside potential exists over and above the forecast presented. The following highlights some of the areas where potential earnings upside has been identified.

Further Property Development

There is 180 hectares of land available with potential for commercial development at HIAPL. No revenue is included in the forecasts in relation to this land. This is in addition to the 25 hectares that are expected to be leased for DFO and the hotel/motel and caravan park, fuel retail outlet and child care centre which is forecast to generate \$1.2 million of profit on a full year basis (of which \$0.4 million is included in the FY09 forecast). Discussions are underway with several potential tenants and the scarcity of commercial property in the vicinity of Hobart and increasing popularity of the Cambridge area indicates significant scope for new revenue. Under new ownership HIAPL would also have the opportunity to fund building development on Airport land to increase its future rental income and earn development profits.

Passenger Charge

Passenger charges are not regulated and may be able to be increased in the future.

Passenger Increase

Passenger numbers are assumed to increase 3% in the forecasts presented in this section. Passenger growth in line with the average seen over the last 20 years of 6% would generate additional incremental income from passenger charges, trading and car parking income and other related activities.

Car Parking

HIAPL’s car parking charges are amongst the lowest of all major airports in Australia and the car park regularly operates at capacity with high demand for convenient parking at the Airport. Options are being reviewed to develop additional short term parking close to the terminal, review parking charges and build a multi-level facility. In addition, a new owner may bring car park management in-house to reduce costs and overheads or introduce fully automated ticketing. The benefits of these initiatives have not been quantified. Carpark revenue in FY08 is forecast to be \$2.7 million, while costs (labour, share of kerbside security costs and profit share to Sultan) are forecast to be \$0.8 million.

Increase Car Rental Turnover Fees

The 9% turnover fee levied on car rental companies is considerably lower than that seen at most other Australian airports. The current charge was last revised following a terminal upgrade in June 2004 and has not been increased since. The rental facilities have recently undergone considerable development providing an opportunity to review these charges.

Additional Retail Concessions

The current terminal redevelopment has increased available retail floor space. Two additional retail concessions are due to open in February/March 2008. Incremental revenue of \$20,000 is included in the FY08 forecast however actual revenue may be considerably higher than this considering that existing concessions each generate \$183,000 per annum, on average.

Advertising

Following completion of the terminal works, a review of terminal advertising is expected to indicate areas for advertising. In addition, opportunities exist to package advertising including outdoors, indoors and electronic hoardings to target specific markets.

Antarctic Flights

Antarctic Division scientific flights will commence in November 2007 with 10 flights scheduled over the summer season. Medium term potential exists for increased demand for flights in support of Australian and other Antarctic nations, with HIAPL providing support facilities. Tourism flights are also a future possibility.

Entry of Tiger / Diversification of Routes

The potential arrival of Tiger Airways in the coming 18 months has the potential to drive increased passenger and revenue growth. In addition, potential exists for the existing airlines to provide services to Canberra and Queensland coastal airports.

International Flights

HIAPL serviced international flights until 1998 and maintains the built capacity and base infrastructure required to handle international services. The recent introduction of international services in Australia by discount airlines may lead to new opportunities at Hobart.

Cost Synergies

A new owner may identify considerable synergies between HIAPL and existing investments. Potential areas of consideration include:

- Management overlap; and
- Corporate costs, such as insurance, IT and accounting (forecast to be \$0.5 million, \$33,000 and \$58,000 in FY08). HIAPL's general administration costs are summarised in section 7.3.

7.8 NORMALISATION ADJUSTMENTS

The table below outlines the EBITDA impact of a number of normalisation adjustments management has identified to present the financial information throughout this Information Memorandum:

- On a consistent basis between historical and forecast financial information; and
- To identify costs which a potential purchaser may not incur going forward.

SUMMARY OF NORMALISATION ADJUSTMENTS

\$'000	FY05	FY06	FY07	FY08F	FY09F
Reported EBITDA	7,824	9,197	10,726	12,732	15,289
Board expenses	3	8	3	4	4
Directors fees (plus on costs)	82	154	187	222	228
Bad debts / debt collection costs	(69)	399	(271)	-	-
Accounting corrections	(50)	75	(75)	-	-
Recovery of "make good" costs	-	-	(54)	-	-
Service agreement with former shareholder	150	285	-	-	-
Redundancies	93	-	-	-	-
Retention bonus (plus on costs)	-	-	-	258	-
Profit (loss) on sale of assets	(20)	(15)	5	73	-
Normalised EBITDA	8,012	10,103	10,522	13,288	15,521

Discussion of Normalisation Adjustments

- Board expenses / director's fees – A new owner of HIAPL is unlikely to incur board costs in this entity alone;
- Bad debts / debt collection costs – A provision was created in FY06 to allow for terminal income after negotiating a new charge regime. This provision was written back in FY07;
- Accounting corrections – This adjustment represents accounting re-allocation to correct a number of individual items posted to wrong periods. For example, the \$75,000 adjustment in FY07 relates to FY06 cleaning costs recharged to Qantas in FY07;
- Make good costs – A one-off payment was received from one of HIAPL's tenants in FY07 to cover the cost of rehabilitation of a site. No related costs were charged to EBITDA in any of the periods above;
- Service agreement with former shareholder – A technical services agreement was established between HIAPL and Airport Group International LCC as a requirement of the Commonwealth Sale Agreement. An annual charge of \$150,000 was levied for this service. By 2005 HIAPL provided its own technical services internally and the agreement was bought out in FY06. The adjustment represents the reversal of the FY05 charge and cost of buying out the agreement in FY06;
- Redundancies – A one-off redundancy payment was made in FY05 for an administrative position that was no longer required;
- Retention bonus – A one-off retention bonus is forecast to be paid to HIAPL staff in FY08; and
- Profit/loss on sale of assets – This adjustment relates to assets written-off/sold at the end of their useful lives.

7.9 PROFORMA FORECASTS

A number of opportunities are being developed by management and are expected to generate revenue for a part-year in FY09 and a full-year thereafter. These are detailed and discussed below.

- DFO is expected to begin contributing to revenue from March 2009, resulting in four months revenue included in the FY09 forecast (\$0.3 million). Full year contribution from the DFO is forecast to be \$0.9 million per annum escalated at 4% per annum.
- The hotel/motel, caravan park and fuel station are expected to begin contributing revenue from November 2008 resulting in eight months revenue included in the FY09 forecast (\$119,000). Full year contributions are forecast to be \$150,000 for the hotel/motel and caravan park and \$28,800 for the fuel station.
- The AFP is expected to begin contributing to revenue from its new office development from October 2008, resulting in nine months revenue included in the FY09 forecast (\$469,000). Full year contribution from the AFP is forecast to be \$625,000 per annum escalated at CPI.
- If there was a full 12 month contribution from each of these developments the FY09 EBITDA forecast would increase from \$15.5 million to \$16.3 million on an annualised basis.

GLOSSARY

Airport	Hobart International Airport
AAE	Australian Air Express
ABS	Australian Bureau of Statistics
ACS	Australian Customs Service
ACT	Australian Capital Territory
AFP	Australian Federal Police
AFRU	Aerodrome Frequency Response Unit
AIFRS	Australian International Financial Reporting Standards
ARFF	Aviation Rescue and Fire Fighting
ASA	Airservices Australia
CAGR	Compound annual growth rate
CASA	Civil Aviation Safety Authority
CBD	Central Business District
CCC	Clarence City Council
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPI	Consumer Price Index
CTAF	Common Traffic Advisory Frequency
CTFR	Counter terrorism first response
DFO	Direct Factory Outlet
DIAC	Department of Immigration and Citizenship
DOTARS	Department of Transport and Regional Services
DTB	Domestic Terminal Building

GLOSSARY (CONTINUED)

DTL	Domestic Terminal Lease
EBA	Enterprise bargaining agreement
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBF	Express Blue Freight
FID	Flight Information Display
FTE	Full time equivalent
FY0X	Financial year ending June 200X
FY0XF	HIAPL management's forecast for financial year ending 30 June 200X
GA	General Aviation
Government	Government of the State of Tasmania
GSP	Gross State Product
GST	Goods and Services Tax
ha	Hectare
Head Lease	Airport lease from Commonwealth Government
HIAPL	Hobart International Airport Pty Ltd
hr	Hour
HR	Human Resources
ICAA	Institute of Chartered Accountants of Australia
IT	Information Technology
km	Kilometre
KPI	Key performance indicator
LCW	Lazard Carnegie Wylie
LV / HV	Low Voltage / High Voltage
MDP	Major Development Plan
MTOW	Maximum take-off weight
ML	Megalitre

GLOSSARY (CONTINUED)

NA	Not available
NW	North west
OH & S	Occupational Health and Safety
p.a	Per annum
PAL	Pilot Activated Lighting
PAX	Passenger
Parties	The State, Tasmanian Ports Corporation Pty Ltd, HIAPL and their respective associates, directors, officers, employees, agents, independent contractors and advisers (collectively the Parties)
PCN	Pavement classification number
PSU	Public Sector Union
RFFS	Rescue and fire fighting services
RPT	Regular public transport
SE	South east
State	State of Tasmania
Sultan	Sultan Holdings
Tascorp	Tasmanian Public Finance Corporation
TasFire	Tasmanian Fire Service
Tasports	Tasmanian Ports Corporation Pty Ltd
Transaction	Proposed sale of HIAPL
Transaction Process	The process conducted in connection with the Transaction
T-VASIS	Visual Approach Slope Indicator System

APPENDICES

APPENDIX A – OTHER PRINCIPAL AIRPORT ACTIVITIES

ACTIVITY	DESCRIPTION
Aviation Facilities	
Air Traffic Control	ASA provides en route control from Melbourne Air Traffic Services Centre at Melbourne airport. The Hobart Tower provides non-radar procedural approach services and ground movement control.
Aerodrome Control	ASA provides air traffic control from before first daily RPT service to after last RPT service, adjusted for daylight saving. The Tower operates at other times on request. After hours Airfield Ground Lighting and CTAF can be selected by pilot control AFRU and PAL (118.1).
Freight & Cargo	Majority of services provided by Virgin Blue Express Freight and Australian Air Express.
Landing and ATC Systems	Visual Navigation and landing aids are provided by HIAPL. All other aids and landing systems are provided, operated and maintained by ASA.
Meteorological Services	The Bureau of Meteorology provides meteorological services to aviation at Hobart Airport.
Safety, Security and Environment	
Airport Perimeter	<p>HIAPL maintains a secure manproof boundary around the airside perimeter.</p> <p>Tenants on the perimeter control the landside/airfield interface in their premises.</p> <p>HIAPL Operations staff, and contracted security staff as required, and the AFP in its counter terrorism first response (CTFR) role, patrol the airside area and its perimeter.</p>
Transport Security Program	HIAPL holds and operates a Transport Security Program for Hobart Airport pursuant to Commonwealth regulation.
Airside area safety	HIAPL maintains safety on airside areas. The AFP provides CTFR on the apron area. Security of aircraft is the responsibility of the aircraft operators.
Aerodrome Manual	HIAPL holds and operates an Aerodrome Manual for Hobart Airport pursuant to Commonwealth regulation.
Passenger and baggage screening	Qantas is the screening authority for passenger hand and checked bag screening at Hobart Airport.
Checked bag screening systems maintenance	BCS Infrastructure Support Pty Ltd has been recently contracted, following the introduction of checked baggage screening systems, to maintain the systems for a period of 12 months. Following this period HIAPL will assume this responsibility. Three BCS electricians will have their employment contracts transferred to HIAPL.
Rescue and Fire Fighting Services (RFFS)	ASA provides RFFS. The station and the fire training site are leased from HIAPL.
Environment management	HIAPL has overall responsibility to manage the natural and cultural environment of the airport site.
Environment Strategy	HIAPL holds and operates an Environment Strategy for Hobart Airport pursuant to Commonwealth regulation.

ACTIVITY	DESCRIPTION
Ground Handling	
Aircraft Parking	HIAPL is responsible for bay allocation on the RPT and freight apron areas.
Baggage Handling System	HIAPL provides and maintains the outwards baggage handling system provided for all operators and the arrivals baggage conveyor in the Virgin Blue area of the combined terminal. Qantas is responsible for the Qantas/Jetstar arrivals baggage conveyor.
Passenger Handling	HIAPL provides check-in desks to airlines in the combined terminal. The incumbent airlines provide passenger handling services for their own services and for international and other charters if so contracted. The international terminal area provides space for the simultaneous handling of up to 220 arriving and 220 departing passengers per aircraft movement based on a B767 aircraft service.
Ramp Handling	Airlines or their contracted service providers provide the majority of ramp handling services to aircraft.
Refueling	Air BP provides tanker refueling services and aviation fuel facilities for all airlines and other air operators.
Other	
Customs	ACS is responsible for Customs processing of international passengers. These flights require prior approval from the Customs, Immigration and Quarantine Agencies
Flight Information Display (FID)	The FIDs are owned and maintained by HIAPL. Airlines supply the required input.
Immigration	ACS (on behalf of the Department of Immigration and Citizenship (DIAC)) undertakes immigration clearance at the primary line, supported by DIAC officers who undertake secondary processing as required.
Noise Complaints	ASA handles any aircraft noise-related complaints. HIAPL operates procedures to control the ground running of aircraft
Quarantine	The Tasmanian Department of Primary Industries and Water is responsible for quarantine matters.
Infrastructure	
Buildings	Tenants are generally responsible for building maintenance and repair. The terminal building is HIAPL's responsibility and costs are passed through to airlines.
Services	HIAPL is responsible for maintaining all internal roads, water and sewerage, high and low voltage electrical reticulation and emergency power, aeronautical lighting and certain visual navigation aids, runway, taxiways and aprons, fencing and grounds maintenance.

HIAPL maintains the terminal building and has some maintenance obligations under the DTB lease.

The table below highlights the resourcing philosophy adopted by HIAPL with regard the repair and maintenance of infrastructure:

Repairs and Maintenance Resourcing

DESCRIPTION	OUTSOURCED
Vehicles	No
Plant	Mix
Computer systems	Yes
Fire Protection	Yes
Mechanical systems	Yes
Runway, taxiway & apron pavement	Mix
Airside lighting & visual aids	No
Grounds presentation	No
Stormwater	No
Plumbing	No
Fencing	No
Painting	Yes
General buildings	Mix
Landside roads	Mix
Sewerage infrastructure	Mix
General electrical LV / HV, standby power	Mix
Water systems	No
Checked bag screening system	Yes (for initial 12 months)

APPENDIX B – HIAPL CAR PARKING RATES

PUBLIC CAR PARK		VALET CAR PARK		
Time	Charge	Time	Indoor Charge	Outdoor Charge
0 – 7 minutes	Free	2 days	\$22.00	\$18.00
7 – 30 minutes	\$2.00	3 days	\$28.00	\$26.00
30 – 60 minutes	\$4.00	4 days	\$35.00	\$33.00
30 minutes – 3 hours	\$4.00	5 days	\$50.00	\$50.00
3 – 4 hrs	\$5.00	6 days	\$55.00	\$50.00
5 – 6 hrs	\$6.00	7 days	\$60.00	\$50.00
6 – 7 hrs	\$7.00	8 days	\$65.00	\$50.00
8 – 9 hrs	\$8.00	9 days	\$70.00	\$50.00
9 – 24 hrs	\$12.00	10 days	\$75.00	\$50.00
Weekly maximum	\$65.00 plus daily charge up to Weekly Maximum	11 days	\$80.00	\$50.00
		12 days	\$85.00	\$50.00
		13 days	\$90.00	\$50.00
		14 days	\$95.00	\$50.00
		15 - 30 days	\$110.00	\$80.00
		Monthly	\$110.00	\$80.00

APPENDIX C – SCHEDULE OF PRIMARY LEGISLATION AFFECTING HOBART AIRPORT

Consolidated copies of Commonwealth legislation may found on the following website:
<http://www.austlii.edu.au/au/legis/cth>

Consolidated copies of state legislation may be found on the following website:
<http://www.thelaw.tas.gov.au/>

This schedule is not warranted as a complete list of all legislation affecting the ownership and operation of Hobart Airport, but rather, merely draws prospective purchasers to the more common legislative provisions pertaining thereto.

ACTS OF PARLIAMENT

COMMONWEALTH

- Airports (Transitional) Act 1996
- Administrative Decisions (Judicial Review) Act 1977
- Air Navigation Act 1920
- Air Services Act 1995
- Airports Act 1996
- Aviation Transport Security (Consequential Amendments And Transitional Provisions) Act 2004
- Aviation Transport Security Act 2004
- Civil Aviation Act 1988
- Commonwealth Places (Application Of Laws) Act 1970
- Corporations Act 2001
- Environment Protection and Biodiversity Conservation Act 1999
- Environment Protection (Impact Of Proposals) Act 1974
- Foreign Acquisitions and Takeovers Act 1975
- Passenger Movement Charge Act 1978
- Passenger Movement Charge Collection Act 1978
- Privacy Act 1988
- Productivity Commission Act 1998
- Regional Forest Agreements Act 2002
- Trade Practices Act 1974
- Workplace Relations Act 1996

STATE

- Aboriginal Relics Act 1975 (No. 81 of 1975)
- Aerodrome Fees Act 2002 (No. 12 of 2002)
- Air Navigation Act 1937 (No. 14 of 1937)
- Building Act 2000 (No. 100 of 2000)
- Business Names Act 1962 (No. 44 of 1962)
- Civil Aviation (Carriers' Liability) Act 1963 (No. 6 of 1963)
- Commercial Arbitration Act 1986 (No. 91 of 1986)
- Damage by Aircraft Act 1963 (No. 7 of 1963)
- Dangerous Goods Act 1998 (No. 6 of 1998)
- Electricity Industry Safety and Administration Act 1997 (No. 72 of 1997)
- Environmental Management and Pollution Control Act 1994 (No. 44 of 1994)
- Fair Trading Act 1990 (No. 29 of 1990)
- Firearms Act 1996 (No. 23 of 1996)
- Food Act 2003 (No. 8 of 2003)
- Forest Practices Act 1985 (No. 48 of 1985)
- Liquor Licensing Act 1990 (No. 44 of 1990)
- Nature Conservation Act 2002 (No. 63 of 2002)
- Perpetuities and Accumulations Act 1992 (No. 23 of 1992)
- Plant Quarantine Act 1997 (No. 62 of 1997)
- Private Forests Act 1994 (No. 28 of 1994)
- Tasmanian Ports Corporation Act 2005 (No. 41 of 2005)
- Taxi and Luxury Hire Car Industries Act 1995 (No. 27 of 1995)
- Threatened Species Protection Act 1995 (No. 83 of 1995)
- Workers' (Occupational Diseases) Relief Fund Act 1954 (No. 45 of 1954)
- Workplace Health and Safety Act 1995 (No. 13 of 1995)

REGULATIONS

COMMONWEALTH

- Air Navigation (Aerodrome Flight Corridors) Regulations 1994
- Air Navigation (Aircraft Engine Emissions) Regulations
- Air Navigation (Aircraft Noise) Regulations 1984
- Air Navigation (Aviation Security Status Checking) Regulations 2004
- Air Navigation (Charges) Regulations
- Air Navigation (Checked Baggage) Regulations 2000
- Air Navigation (Fuel Spillage) Regulations 1999
- Air Navigation Regulations 1947
- Air Passenger Ticket Levy (Collection) Regulations 2001
- Air Services Regulations
- Aircraft Noise Levy Regulations
- Airports (Building Control) Regulations 1996
- Airports (Control of On-Airport Activities) Regulations 1997
- Airports (Environment Protection) Regulations 1997
- Airports (Ownership - Interests in Shares) Regulations 1996
- Airports (Protection of Airspace) Regulations 1996
- Airports Regulations 1997
- Aviation Transport Security Regulations 2005
- Civil Aviation (Buildings Control) Regulations 1988
- Civil Aviation (Carriers' Liability) Regulations 1991
- Civil Aviation (Fees) Regulations 1995
- Civil Aviation Legislation Amendment (Transitional Provisions) Regulations
- Civil Aviation Regulations 1988
- Civil Aviation Safety Regulations 1998
- Environment Protection and Biodiversity Conservation Regulations 2000

STATE

- Dangerous Goods (Fees) Regulations 1998 (S.R. 1998, No. 164)
- Dangerous Goods (General) Regulations 1998 (S.R. 1998, No. 163)
- Environmental Management and Pollution Control (Environmental Infringement Notices) Regulations 2006 (S.R. 2006, No. 83)
- Environmental Management and Pollution Control (Waste Management) Regulations 2000 (S.R. 2000, No. 218)
- Fair Trading (Code of Practice for Retail Tenancies) Regulations 1998 (S.R. 1998, No. 118)
- Firearms Regulations 2006 (S.R. 2006, No. 109)
- Food Regulations 2003 (S.R. 2003, No. 121)
- Forest Practices Regulations 2007 (S.R. 2007, No. 18)
- Forest Practices Regulations 2007 (S.R. 2007, No. 18) Forest Practices Regulations 2007 (S.R. 2007, No. 18)
- Liquor and Accommodation Regulations 2003 (S.R. 2003, No. 96)
- Luxury Hire Car Industry Regulations 2000 (S.R. 2000, No. 71)
- Passenger Transport Regulations 2000 (S.R. 2000, No. 65)
- Plant Quarantine Regulations 1998 (S.R. 1998, No. 87)
- Threatened Species Protection Regulations 2006 (S.R. 2006, No. 108)
- Workplace Health and Safety Regulations 1998 (S.R. 1998, No. 152)

APPENDIX D - ACKNOWLEDGEMENT AND DISCLAIMER

Purpose

This Information Memorandum is provided at the request of the recipient (the **Recipient**) solely for the purpose of evaluating whether to submit a written indicative offer for the proposed sale of Hobart International Airport Pty Ltd (**HIAPL**) (the **Transaction**). This Information Memorandum is not intended to provide the basis for any investment or credit decision or any other risk evaluation.

This Information Memorandum is not issued by Tasmanian Ports Corporation Pty Ltd (**Tasports**), HIAPL or the board of directors of Tasports or HIAPL and neither Tasports, HIAPL nor the board of directors of Tasports or HIAPL take any responsibility for the issue or contents of this Information Memorandum.

In this Acknowledgement and Disclaimer, headings are for convenience only and do not limit or otherwise affect the content of this Acknowledgement and Disclaimer. The Recipient should read this Acknowledgement and Disclaimer carefully and in its entirety.

This Acknowledgement and Disclaimer applies to, and any reference in this Acknowledgement and Disclaimer to this Information Memorandum includes, any update or supplement to this Information Memorandum and, where the context permits, any copy of this Information Memorandum or of any such update or supplement.

No part of this Information Memorandum constitutes a recommendation, offer, invitation or solicitation in relation to the Transaction, or any part thereof, or a representation by or on behalf of the State, Tasports, HIAPL, or any other person that it will be entering into the Transaction at all, with any recipient of this Information Memorandum or with any other person. Further, this Information Memorandum does not provide and does not purport to provide all the information that the Recipient may require for the purpose of evaluating the Transaction. For example, information on certain matters has not been included in this Information Memorandum for reasons of commercial sensitivity, even though such information may be material to the Recipient.

The Information Memorandum is being provided to a limited number of prospective purchasers (including the Recipient), subject to the prior execution by each recipient of a Confidentiality Deed. By receiving this Information Memorandum, the Recipient recognises and confirms the various obligations to which it is subject as set out in this Information Memorandum and pursuant to its Confidentiality Deed and, in particular, agrees to keep confidential all information contained in this Information Memorandum or otherwise supplied by or on behalf of the State, Tasports, or HIAPL to the Recipient in accordance with the terms of the Confidentiality Deed.

Process

The process being conducted in connection with the Transaction (the **Transaction Process**) is set out in more detail in the Confidentiality Deed entered into prior to receiving this Information Memorandum.

The Recipient acknowledges that the State has the right at any time, without notice to the Recipient and without providing reasons:

- to enter and conclude negotiations with any other party in relation to the Transaction, or any part thereof, or to otherwise sell, dispose of or deal with the HIAPL business; and
- to terminate any investigation by the Recipient in relation to the Transaction, or any negotiations with the Recipient, in relation to the Transaction,

without being liable to satisfy the costs of the Recipient, its associates or advisers, however incurred.

The State has the right at any time and at its absolute discretion, without notice to the Recipient and without providing reasons, to depart from or modify in such manner as it thinks the Transaction Process, including any procedures, timetables or course of conduct in relation to the Transaction described in this Information Memorandum or otherwise advised to the Recipient, or to terminate the Transaction Process (either generally, or in relation to one or more parties participating in it).

Confidentiality

This Information Memorandum is provided to the Recipient pursuant to the terms of the Confidentiality Deed executed by the Recipient in favour of the State, Tasports and HIAPL. For the purpose of this Acknowledgement and Disclaimer, the Recipient includes all other persons that are subject to any or all of the obligations of the Recipient under the Confidentiality Deed.

The Recipient may receive further information in relation to the HIAPL business from Lazard Carnegie Wylie Pty Ltd (**LCW**) (see below for contact information) or any of the State, Tasports, HIAPL and their respective associates, directors, officers, employees, agents, independent contractors and advisers (collectively the **Parties**). The Recipient acknowledges that:

- all information contained in this Information Memorandum and any such further information provided by or on behalf of the Parties (together the **Information**) will be regarded as Confidential Information for the purposes of the Confidentiality Deed executed by the Recipient;
- none of the Information will be used by the Recipient or any of its directors, employees, financiers, representatives or advisers in any manner whatsoever, in whole or in part, other than in connection with their evaluation of the proposed Transaction;
- the Recipient will not reproduce the Information Memorandum and will not distribute the Information Memorandum to any person, in whole or in part, except as permitted under the Confidentiality Deed;
- if at any time the Recipient does not wish to pursue this matter or is excluded from further participation in the Transaction Process, the Recipient will return the Information Memorandum and all copies thereof to LCW as soon as practicable, together with any other confidential material which the Recipient may have received from or on behalf of the Parties, in accordance with the procedures for return and destruction of Confidential Information set out in the Confidentiality Deed; and
- any proposed actions by the Recipient which are inconsistent in any manner with this Acknowledgement and Disclaimer will require the prior written consent of the Crown.

To the extent that this section is inconsistent with the provisions of the Confidentiality Deed, the provisions of the Confidentiality Deed shall prevail.

In accordance with the terms of the Confidentiality Deed, the Recipient is reminded that it must not directly contact HIAPL or its related bodies corporate or its customers, suppliers, landlords, employees or consultants in relation to the Transaction without the prior written consent of LCW. Without limiting any other obligations of the Recipient, no contact is to be made with the media in relation to the Transaction Process without the prior written consent of LCW. If the Recipient does not observe these conditions it may be excluded from further participation in the Transaction.

Disclaimer and Release

None of the Parties makes or gives any representation, warranty or guarantee, whether express or implied, in relation to the completeness, accuracy, currency or reliability of the Information (including that it has been or will be audited or independently verified), or that reasonable care has been taken in compiling or preparing the Information, or that the Information is the totality of the information that may be required or may be expected to be found or provided in order to evaluate the Transaction.

No liability for misrepresentation, negligence or otherwise is assumed by the Parties for the material contained in this Information Memorandum, nor shall they accept responsibility for any loss or damage arising from, or as a consequence of, the Recipient's use of, or reliance upon, such material.

This Information Memorandum is not a prospectus or disclosure document as contemplated by the Corporations Act and will not form any part of any contract or agreement that may be entered into in relation to the Transaction (other than an agreement to the terms of this Acknowledgement and Disclaimer). The only information, representations or warranties upon which the Recipient will be entitled to rely will be expressly set out in any contract or agreement which is entered into to effect the sale of HIAPL.

None of the Parties accept any responsibility to update, supplement or correct the Information Memorandum or to inform the Recipient of any other information or matter arising or coming to its notice which may affect the Information provided to the Recipient, including any inaccuracies in, or omissions from, the Information.

Nothing in this Acknowledgement and Disclaimer is intended to limit any disclaimer or exclusion of liability in the Confidentiality Deed and vice versa. The disclaimers and exclusions in this Acknowledgement and Disclaimer are each to be given full and independent effect.

Estimates and Forecasts

Nothing contained in this Information Memorandum or any other Information is or should be relied upon as a representation as to future matters. The Information contains estimates, forecasts and other forward-looking information (together the **Estimates and Forecasts**) which involve subjective judgements made by HIAPL management. The performance of the HIAPL business is influenced by many factors. Accordingly, the Estimates and Forecasts are based on assumptions that are subject to significant uncertainties and contingencies, many of which are outside the control of the Parties.

No representation, warranty or guarantee, whether express or implied, is made or given in relation to any Estimate or Forecast or the process of formulating any Estimate or Forecast, including that any Estimate or Forecast contained in the Information will be achieved. Actual future results may vary significantly from the Estimates and Forecasts. The Recipient must make its own inquiries and form its own opinions regarding the assumptions, uncertainties and contingencies that may affect the future value, operations and results of the HIAPL business and assets associated with the Transaction, and the impact that a variation in future outcomes may have.

Independent Assessment

This Information Memorandum is provided on the express basis that the Recipient will carry out its own independent inquiries and investigations into, and independent assessment and review of (including seeking any necessary independent advice), the Information, including the Estimates and Forecasts and will make its own independent decisions about the Transaction prior to submitting any offer. The Recipient must rely entirely upon its own investigations, review and analysis, and not upon this Information Memorandum, in relation to its assessment of the HIAPL business and assets associated with the Transaction and must form its own opinion as to whether or not to seek to proceed with the Transaction.

Neither the delivery of this Information Memorandum nor any contractual agreement concluded thereafter shall under any circumstances constitute any implication that there has not been any change in the affairs or prospects of HIAPL since the date of this Information Memorandum or since any other date as at which any information contained in this Information Memorandum is expressed to be stated.

None of the Parties accept any responsibility for any inference, interpretation, opinion or conclusion that the Recipient may draw or form from the Information or which may otherwise be based on or arise from the Information, or any errors or omissions affecting the Information.

Offshore Distribution

This Information Memorandum has not been filed, registered or approved in any jurisdiction. The distribution of this Information Memorandum outside Australia may be restricted or prohibited by law. Any person who comes into possession of this Information Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. None of the Parties accepts any liability to any person in relation to the distribution or possession of this Information Memorandum in, to or from any jurisdiction.

Acceptance

By receipt of this Information Memorandum, the Recipient acknowledges that it has read, understood and accepted the terms of this Acknowledgement and Disclaimer. If the Recipient does not so accept, it must immediately return this Information Memorandum to LCW and not use it for any purpose. This Acknowledgement and Disclaimer is governed by and is to be construed in accordance with the laws of the State of Tasmania, Australia, and the Recipient accepts the jurisdiction of the courts exercising jurisdiction there.

Laws

To the extent that any of the above paragraphs may be construed as being in contravention of any law of any State or the Commonwealth of Australia, such paragraph shall be read down, or severed, or both, as the case may require and the remaining paragraphs shall continue to have full force and effect. Reference to, and explanations of, legislation and regulatory issues which appear in this Information Memorandum are indicative only. They do not purport to summarise all relevant legislation or to be a full explanation of any particular matter. Interested Parties should, if necessary, obtain their own legal advice in relation to such legislation and regulations.

Contacts

Queries regarding the Transaction and the Transaction Process should be directed to:

Lazard Carnegie Wylie

Level 33, 101 Collins Street
Melbourne VIC Australia 3000
Tel: (613) 9657 8400
Fax: (613) 9657 8411

Andrew Leyden
Managing Director
email: al@carnegiewylie.com

Richard Fox
Associate
email: rf@carnegiewylie.com

Under no circumstance should contact be made with Tasports or HIAPL or their customers, suppliers, landlords, directors, employees, consultants, financiers or shareholders in relation to the Transaction without the prior written consent of LCW. Any party that makes contact with such parties may be excluded from the process.

Other Matters

Unless otherwise specified:

- (a) Information in this Information Memorandum is current as at 28 September 2007, and then only to the extent relevant information was available at that time. Accordingly, financial information (for example) should not necessarily be assumed to be based on the latest information in each case;
- (b) Publication of this Information Memorandum does not create any implication that there will be or has been no change in the affairs of HIAPL since the date of issue. The State may, in its absolute discretion, update or supplement this Information Memorandum but are under no obligation to do so; and
- (c) All references in this Information Memorandum to “\$” or “dollars” are to Australian dollars unless stated otherwise.