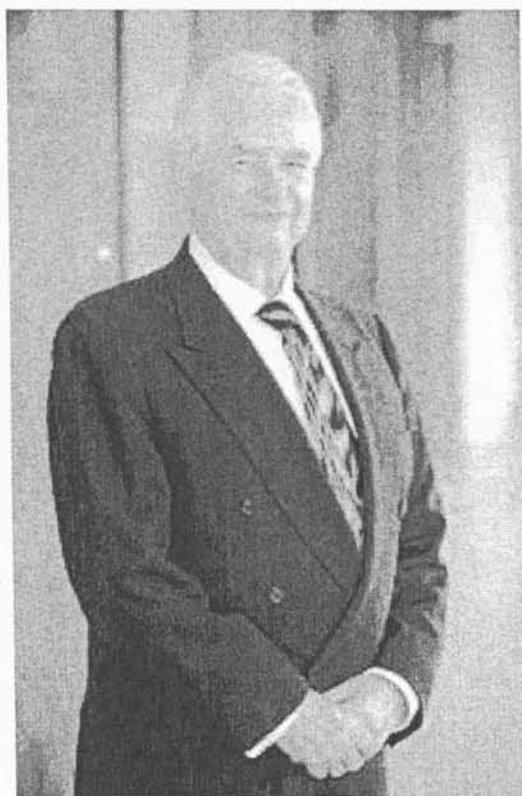




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## chairman's message



As I write this message for what will most likely be my final Hobart International Airport Pty Ltd Annual Report as Chairman given the airport's pending sale, I feel enormous satisfaction when reflecting on the way the airport has developed under the direction of the current Board.

As historian Lindy Scripps wrote in the specially commissioned *Our Front Door, The Story of Hobart International Airport 1956-2006*: "In five decades the airport has grown beyond the imaginings of those who planned the airport all those years ago."

I can only agree with her.

In late 2006 the airport marked a significant milestone when it celebrated 50 years of operations on the current site.

Today's Hobart Airport is a modern, world-class facility of which all Tasmanians can be proud – a statement I am not sure I could have made before the significant redevelopment works commenced in July 2004 – and we are really only half way there.

While the major redevelopment of the terminal building is largely completed, including the installation of Tasmania's only checked bag security screening facility as required by the Federal Government, plans for non-aeronautical investment are well advanced.

In 2006 HIAPL prepared a draft major development plan for an outlet centre and bulky goods / homemaker retail centre at the airport for Direct Factory Outlets Pty Ltd, and invited members of

the public to provide written comments regarding the draft.

At the time of writing, the community consultation had been completed and the project is waiting on Federal Government planning approval to proceed.

In addition, work on an 76 bed motel / hotel and fuel retail outlet and convenience store on airport land is expected to start in September 2007, and planning has commenced for a 75 place child care centre for the growing number of employees who work in the Cambridge area.

The proposed DFO project, together with the motel / hotel, fuel retail and child care centre facilities, are important developments on under utilised airport land that have the potential to protect the business against any changes in future travel and passenger trends.



We have also overseen the major development of car parking facilities, important environmental remediation works and the development of new infrastructure and facilities for hire car companies.

Importantly, our financial performance has also improved.

Eight years ago in the first year of HIAPL's incorporation, the company incurred a loss of \$96,000 on a turnover of just \$5.3 million.

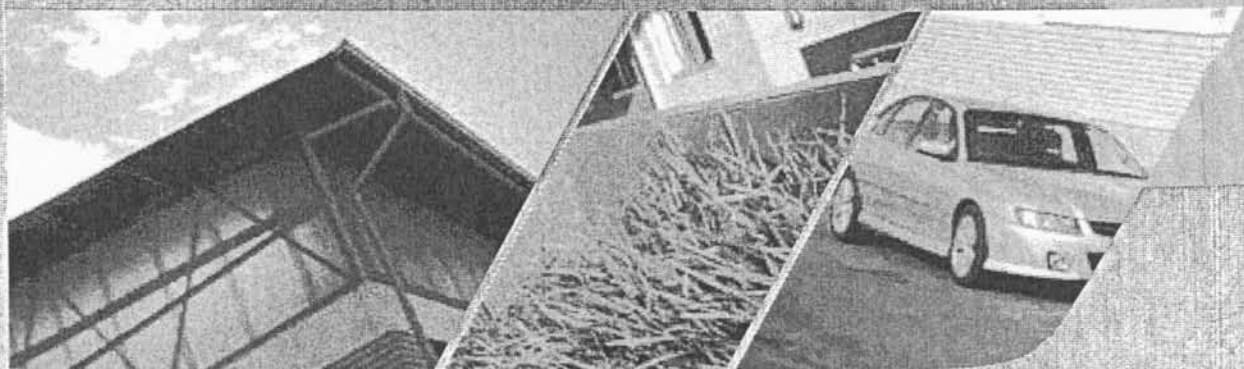
In the year just completed, a net profit of \$4.7 million was achieved on a turnover of \$17.8 million – an excellent result.

In closing, I would like to sincerely thank my fellow Board

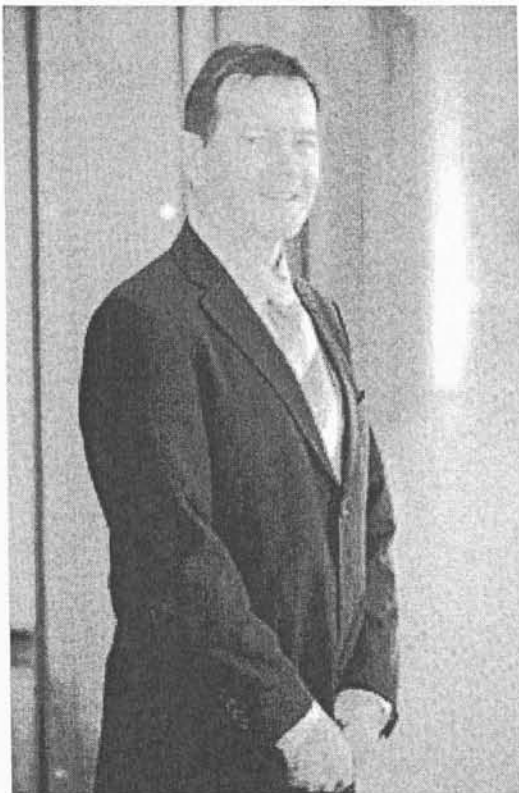
Members for their hard work and strong support during the year just concluded, and during my 4.5 year term as Chairman.

I would also like to note the continued outstanding performance of the management team, led ably by Chief Executive Officer Wayne Tucker, and all our employees who work so diligently to ensure the needs of Tasmanians and interstate and international visitors using our airport facility are met.

**Peter G Morgan**  
Chairman



## *chief executive officer's message*



Hobart International Airport Pty Ltd's (HIAPL) strong performance was a feature of the 2006/07 financial year. Building on the excellent work of the management team and our employees in previous years, in 2006/07 Hobart Airport catered for 18,690 domestic, general and international flights. These flights carried 1.62 million passengers, compared to 1.60 million the previous financial year.

At the same time as Hobart Airport was enjoying record passenger movements, work on the \$23 million redevelopment of the airport terminal was virtually completed.

The most recent works undertaken involved the construction of a central check in hall for all three airlines, a baggage hall and a checked-in baggage x-ray screening system built between the international and domestic terminals, so joining the two terminals together.

While some disruption to airport customers and passengers was inevitable given the size of the task undertaken, all involved in this major refurbishment are to be congratulated on a difficult job well done.

It is important to note that Hobart Airport is now the only airport in the state able to ensure that 100 per cent of all passenger luggage is x-rayed before loading on to an aircraft, as required by the Federal Government.

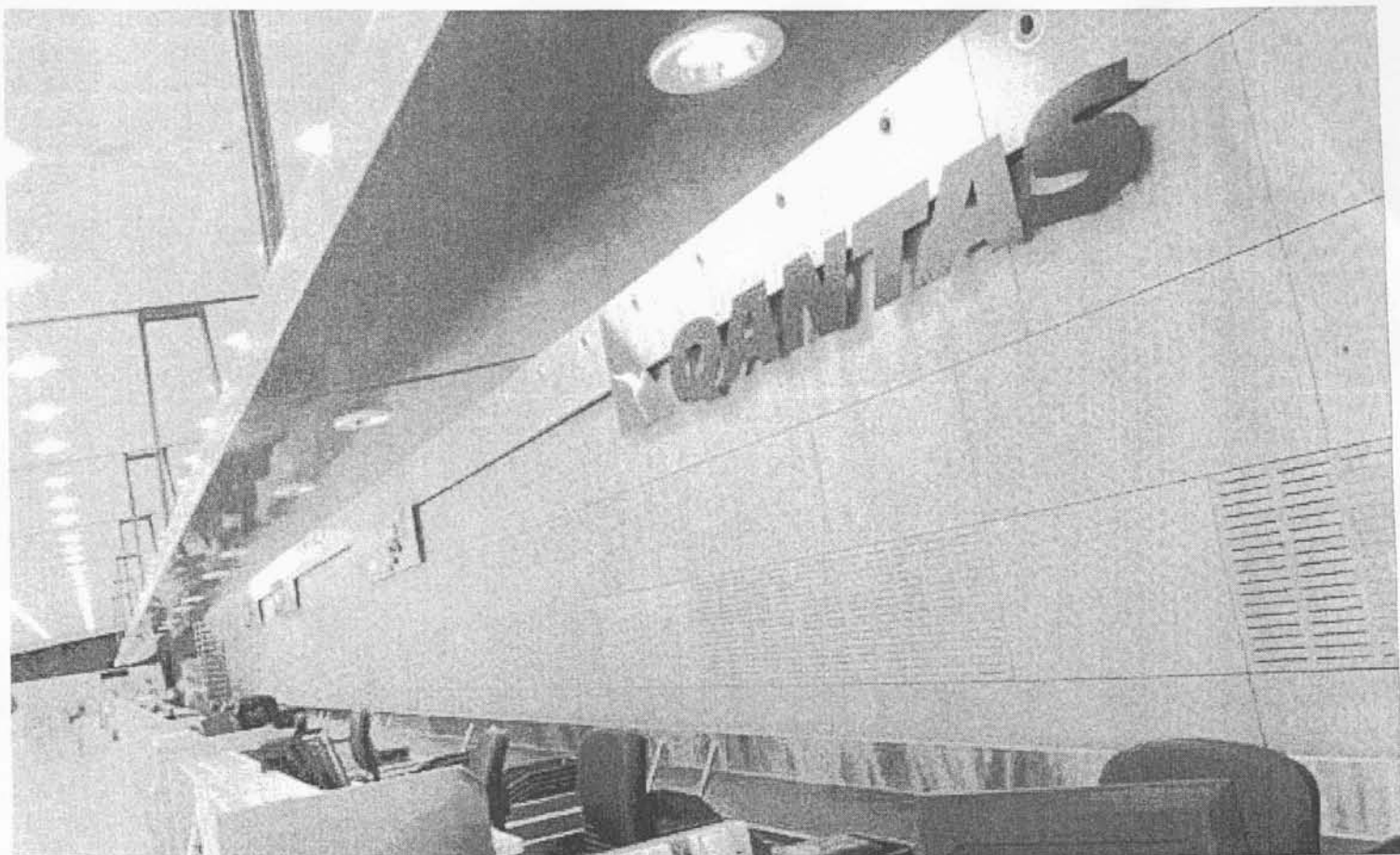
Overall feedback on the redevelopment has been extremely positive.

As the Chairman noted in his report, the people of Tasmania now have a modern, world-class facility of which they can be justifiably proud.

The transformation has been remarkable and well worthy of a capital city airport.

Elsewhere on airport land new car rental facilities were provided for Hertz and Europcar, and Virgin Blue opened its first dedicated freight facility in Australia. Further car park expansion is planned on the former Mobil fuel depot site and Hertz maintenance facility.

Work is continuing on the DFO direct factory outlet store planned for airport land on the eastern side of Holyman Avenue. A lengthy community consultation process was completed in 2006/07. The company received 177 submissions that have been forwarded to the Federal Government's Department of Transport and Regional Services for review by the Minister. A decision regarding its development is pending.



The company produced a new Strategic Plan (Strategic Plan 2006-2009) in 2005, of that was reviewed in this reporting period.

This plan, designed to be a living document for consistent review and updates, is the backbone of our new strategic management system, and sets the future direction for the development of Hobart Airport.

Apart from being a critical management tool, it informs our various stakeholders (the travelling public, customers, governments and the broader Tasmanian community) in significant detail about the strategies and major initiatives that will be pursued over the coming years.

The company continued the implementation of its environment strategy for Hobart Airport that sets out plans for managing the airport's environment in the medium-term.

FIATL is committed to continually improving the environmental health of the airport site through this strategy and the implementation of environmental management systems.

Hobart Airport is set to become the Australian base for regular intercontinental flights to the four-kilometre-long (two-and-a-half-mile) ice-free base in Australia's Antarctic Territory in the 2007-08 summer.

Aircraft will be flown from Hobart to Antarctica as a regular inter-continental flight of the Australian Government's support of science research in the southern polar region.

This will also make Australian research in Antarctica more efficient, allowing scientists and support personnel to spend

less time travelling by ship (10 days by ship to just under four-and-a-half-hours by air) and more time on research projects on the ground.

Hobart Airport turned 50 in 2006. To mark the occasion, local historian Lindy Scripps was commissioned to prepare the booklet *Our Front Door, The Story of Hobart International Airport 1956-2006* that was published in December 2006. The booklet provides a detailed record of the airport's 50 years at Ulanherne and celebrates the role Tasmania played in the development of commercial aviation in Australia.

This is likely to be the final annual report prepared by FIATL under its current ownership.

Record passengers, record turnover and healthy profits best describe the outstanding performance of the company in recent years.

This Board, the management team and our employees deserve enormous credit for this success, and for overseeing the airport's development to a standard that it is now ready for sale to achieve maximum return for its owners.

We should all be very proud of these achievements.

Together, we have set the scene for many more years of successful operations for the benefit of interstate and international visitors, Tasmania's traveling public and the broader Tasmanian community.

**Wayne Tucker**  
Chief Executive Officer

## *HIAPL key developments*



### Terminal upgrade

The second stage of the terminal upgrade, comprising a new baggage hall, a new check-in hall and associated offices for all airlines constructed between the domestic and international terminals effectively joining the buildings together, has been completed.

The north section of the apron has also been extended by 1,800 square metres as part of the project.

The baggage hall houses a new state of the art checked bag screening system, which was required to be operational by 1 August. As a result, Hobart Airport is the only one in Tasmania able to ensure that 100 per cent of all passenger luggage is x-rayed before loading on to an aircraft, offering enhanced passenger safety.

The modern spacious check-in hall offers comfort and convenience to passengers.

All airlines check-in desks are in one location adjacent to the departure lounge, and the check-in hall provides capacity for new entrant airlines.

A new food and beverage outlet is also planned for the check-in hall.

Virgin Blue arrivals facilities have been upgraded as part of this project.

### DFO direct factory outlet

If approved, the DFO direct factory outlet will be constructed on the eastern side of Holyman Avenue.

All infrastructure will be provided by HIAPL.

The proposal involves:

- a single storey building (with a gross building area of approximately 24,000 square metres) to accommodate an outlet centre comprised of independent shops arranged around an internal mall system
- other buildings totalling approximately 53,000 square metres to accommodate bulky goods, home maker, DIY and trade retail use

Associated facilities and works for the subject site are:

- installation of drainage and water treatment facilities
- provision of physical services on the site
- surface parking and access roads for approximately 2,300 vehicles



- Site landscaping around the site boundary and throughout the car park
- Road and other civil works

#### Motel / hotel complex

Scheduled for completion in August 2008, the four star motel / hotel complex will feature 70 rooms, conference facilities and a restaurant.

#### Caravan park

Located east and adjacent to the motel / hotel concept designs for the site are being developed, but will include:

- 50 caravan sites, water, sewer facilities
- Backpacker accommodation
- Entertainment, cooking, laundry and communal facilities

#### Fuel retail outlet and convenience store

It is located on the eastern side of Holyman Avenue adjacent to the taxiway roundabout and the proposed motel / hotel complex and caravan park. This multi-tenancy facility will meet the needs of motorists of the airport site, shoppers, motel / hotel patrons and the local airport and surrounding community.

#### ABC childcare centre

Work is expected to start in late 2007 on an ABC Childcare Centre offering nearly 80 early learning and child care places.

Located on a new road to be constructed off Holyman Avenue between the motel / hotel and proposed shopping centre developments, the centre will provide an important level of support to airport and Cambridge-based employees and Sorell and Clarence families.

#### Waste water treatment plant

While Hobart Airport operates its own waste water treatment plant, given the number of developments either underway or proposed for airport land, HIAPL has identified a need for the waste water treatment capacity to increase.

With this in mind, a joint project with Clarence City Council has commenced.

The project will see construction of a new state of the art treatment plant on airport land that will service both the airport and the development needs of the City of Clarence.

The plant will produce effluent of a quality suitable for re-use and the infrastructure will connect the outflow to the Coal Valley re-use scheme and local golf courses.

## *airport overview*



**Hobart International Airport is located 17 minutes from Hobart's CBD on 500 hectares of land between Barilla Bay and Frederick Henry Bay.**

The airport's original terminal building and runway were commissioned in 1956 and redeveloped in 1976.

The international terminal building was commissioned in 1983 for the former trans-Tasman B727 service.

Further upgrades were undertaken in 1985 to B767 standard with the capability to handle weight restricted B747 operations.

At about the same time the international terminal building was extended, additional apron space and car parking facilities were developed and the runway was extended to 2,251 metres.

In 1998 the airport was privatised before it was eventually acquired by the Hobart Ports Corporation, a Tasmanian

Government-owned enterprise which has recently merged with other Tasmanian port companies to create the Tasmanian Ports Corporation.

The airport plays an important role in the movement of passengers and freight with the vast majority of interstate visitors arriving by air transport.

The airport is curfew free, one of the few in Australia, and can operate 24 hours a day.

Hobart International Airport features facilities for international and domestic passenger traffic and facilities for handling air freight.

The airport is a vital link in the Tasmanian economy, particularly with its freight services, principally for primary producers.

Qantas, Jetstar and Virgin Blue provide passenger transport from Hobart while Tasair and Rotor-Lift provide general aviation passenger transport and pilot training services.

Freight logistics and air freight services are delivered by Australian air Express, Virgin Express Blue Freight, Tasair and World Link International.

### **Our Vision**

A vibrant business hub providing a unique Gateway to Tasmania.



## Mission

*"To develop an infrastructure hub based around aviation which meets our stakeholder needs."*

## Our Values

We will:

- Have a clear vision and direction
- have a customer focus
- work together to succeed
- foster and respect individuality
- be persistent in pursuit of our set goals
- encourage initiative and promote innovation

## Our Goals

### 1. Strong Financial Performance

To provide acceptable returns on investments.

### 2. Aeronautical Services and Infrastructure

To continually maintain and update a competitive level of aeronautical services and cater for the airport's operational requirements.

### 3. Our People

To have a multi-skilled motivated and committed workforce reflecting our business requirements.

### 4. Safety & Security

To maintain a safe and secure airport and position Tasmania as a safe destination.

### 5. Business Development

To develop business opportunities and create an environment which attracts business development.



# organisation chart

## Board of Directors



Peter Morgan

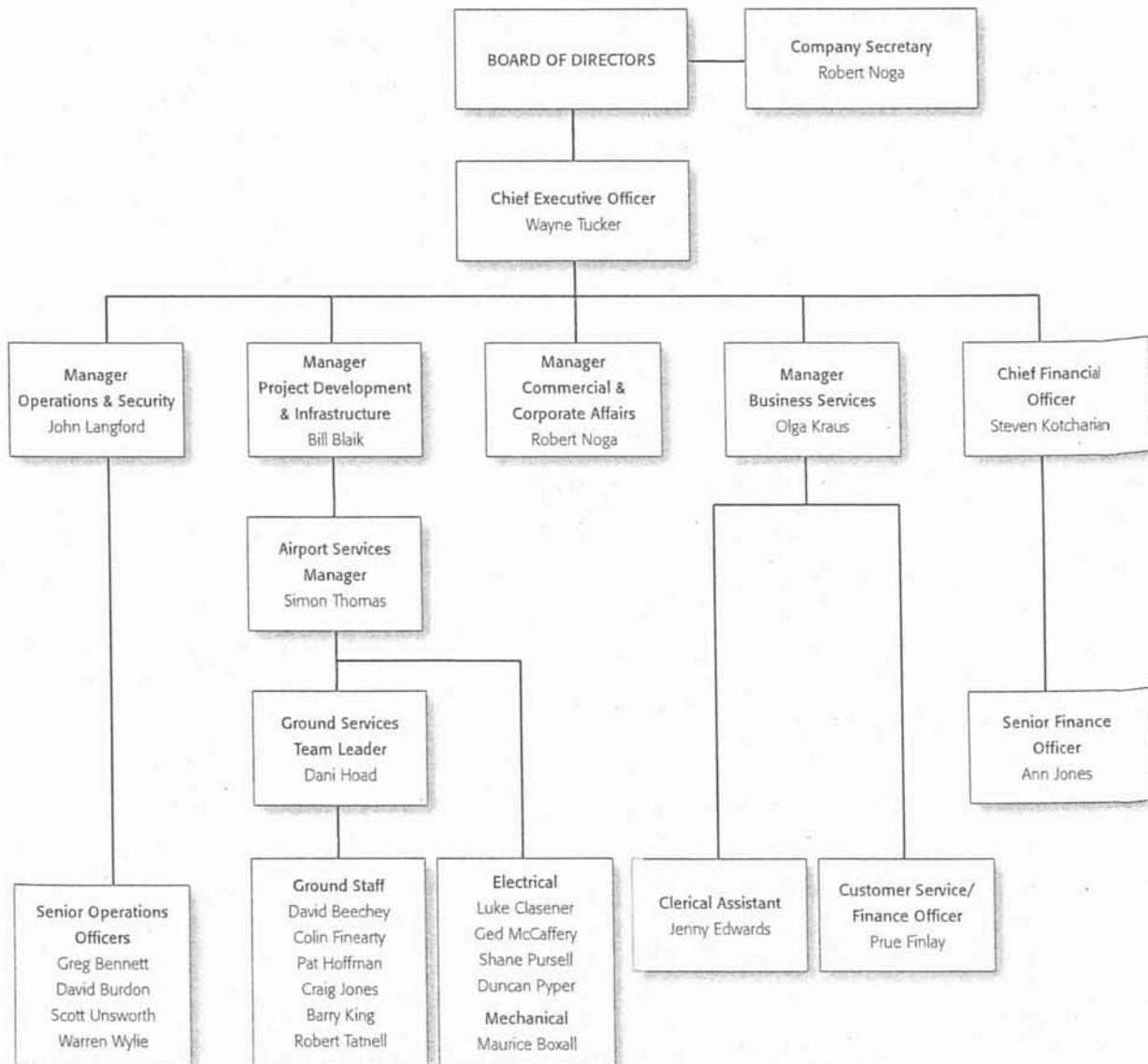
Veronica Sakell

Owen Williams

Robert Barnes

Honey Bacon

Andrew Kemp





*financial report*

# Directors' Report

For the year ended 30 June 2007

The directors present their report together with the financial report of Hobart International Airport Pty Ltd for the year ended 30 June 2007 and the auditor's report thereon.

## Directors

The directors at any time during or since the end of the financial year are:

**Mr Peter G Morgan** (Chairman)

Director and Chairman since 15 April 2003

**Mr Robert Barnes** (Non-executive Director)

Director since 19 October 2006

**Mr Andrew G Kemp** (Non-executive Director)

Director since 27 April 1998

**Mr Owen F Williams** (Non-executive Director)

Director since 11 August 2000

**Ms Honey Bacon** (Non-executive Director)

Director since 1 July 2005

**Ms Veronica Sakell** (Non-executive Director)

Director since 1 July 2005

## Company particulars

Hobart International Airport Pty Ltd is incorporated in Australia.

The address of the registered office is:

Strachan Street  
Cambridge, Tasmania 7170

## Principal activities

The principal activity of the Company during the course of the financial year was airport transport operations.

There were no significant changes in the nature of the activities of the Company during the year.

## Review and result of operations

The profit from ordinary activities after income tax amounted to \$4,776,575 (2006: \$3,785,424).

This increase can be attributed to an increase in activity through the airport.

## Dividends

A \$1,892,712 dividend was paid on 14 November 2006 (2006: \$763,267).

## Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year there were no options outstanding at the date of this report.

## State of affairs

On 7 June 2007, the Tasmanian State Government announced in its 2007 State Budget that it intends to sell the Hobart International Airport to the private sector. It is anticipated that the sale process will be completed sometime during the 2007-08 financial year. It is intended to sell the airport as a going concern and as such, the only effect this announcement has had on the financial accounts of the Company is in relation to its long term borrowings.

Currently, as a State-Owned-Company, the Company is obligated to borrow from Tasmanian Public Finance Corporation (Tascorp), however, this financial institution is only permitted to lend to Government entities. As such, all loans with Tascorp will need to be repaid in full upon completion of the sale.

Similarly, the terms of the loan agreement between the Company and the Company's immediate parent entity, Tasmanian Ports Corporation Pty Ltd (Tasports), require the loan to be repaid in full on demand should Tasports lose the majority control of the Company.

Due to the expectation that all long-term borrowings will be repaid during 2007-08, they have all be classified as current in the financial statements.

There were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

## Environmental regulations

The environmental regulations that the Company is subject to include, but are not limited to:

### Commonwealth

*Airports Act 1996*

*Airports (Environment Protection) Regulations 1997*

*The Commonwealth Environment Protection and Biodiversity Conservation Act 1999*

*The Commonwealth Environment Protection and Biodiversity Conservation Regulations 2000*

# Directors' Report (cont'd)

For the year ended 30 June 2007

## State

*Environmental Management and Pollution Control Act 1994*

*State Policy on Water Quality Management 1997*

*Dangerous Goods (General) Regulations 1998*

*Threatened Species Protection Act 1995*

*Weed Management Act 1999*

*Environment Protection (Waste Management) Regulations 2000*

*Agricultural and Veterinary Chemicals (Control of Use) Regulations 1996*

The Company submitted on time all periodic reports and audits required by the *Airports Act 1996* and *Airports (Environment Protection) Regulations 1997*. There were no other environmental reporting requirements imposed on the Company.

No breaches of any of the above-mentioned regulations were notified during the financial year. The Company notes no critical performance issues regarding environmental regulation for the financial year.

Regarding the treatment performance of its waste water treatment plant the Company completed upgrading of the plant, as committed to the Commonwealth, State and Local governments. A Company/Government working group was set up during the year to agree and monitor actions for further continuous improvement as required by regulation.

The Company continued development of a Vegetation Management Agreement with the State Government of Tasmania.

During the year, as part of a number of different developments, further elements of the remaining underground fuel storage tanks and asbestos at the Airport were removed and disposed of according to relevant legislative and regulatory requirements.

A new Airport-wide survey of asbestos and other hazardous building materials was undertaken during the year, to update and complete the relevant Airport register.

Development of new car rental maintenance facilities continued, incorporating compliant car wash systems, and was completed during the year.

Relevant developments including the Direct Factory Outlet proposal were submitted for assessment, or further submitted at subsequent approvals stages, as required by the Commonwealth Acts.

For its several developments commencing during the year, the Company responded as required to the Commonwealth's increased attention to the preparation and content of environment management planning for the increased pace of development at the Airport, by the Company and its tenants.

## Likely developments

Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

## Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## Indemnification and insurance of officers and auditors

### Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

### Insurance premiums

During the financial year the Company has paid premiums in respect of directors' liability and legal expenses insurance contracts for the year ended 30 June 2007 and since the financial year, the Company has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2008. Such insurance contracts insure against: (a) a wilful breach of duty; or (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid for the year ended 30 June 2007 was \$8,353 (2006: \$9,411).

## Proceedings on behalf of the Company

No person has applied for leave to Court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

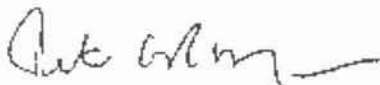
## Directors' Report (cont'd)

For the year ended 30 June 2007

### Auditor Independence

In accordance with section 298(1)(c) of the *Corporations Act 2001*, a copy of the Company auditor's Declaration of Independence is included on page 15.

Signed in accordance with a resolution of the Board of Directors:



**Chairman**  
P G Morgan



**Director**  
A G Kemp

Dated this 22nd day of August 2007.



## Tasmanian Audit Office

21 August 2007

The Board of Directors  
Hobart International Airport Pty Ltd  
Box 1, Strachan Street  
CAMBRIDGE TAS 7170

Ground floor, 144-146 Macquarie Street  
Hobart Tasmania 7000  
Postal Address  
GPO Box 654  
Hobart Tasmania 7000  
Phone: 03 6276 9000  
Fax: 03 6276 9991  
email: [admin@tao.tas.gov.au](mailto:admin@tao.tas.gov.au)

Dear Board Members

### Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Hobart International Airport Pty Ltd for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) a copy of this declaration must be included in the Directors' report.

Yours sincerely

HM Blake  
AUDITOR-GENERAL



## Tasmanian Audit Office

INDEPENDENT AUDIT REPORT

**To the Members of Hobart International Airport Pty Ltd**

**Financial Report for the Year Ended 30 June 2007**

### **Report on the Financial Report**

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

#### *Directors' Responsibility for the Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

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

**Accountability on Your Behalf**

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Independence**

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Hobart International Airport Pty Ltd dated 21 August 2007 and included in the Director's Report, would be unchanged if provided to the directors as at the date of this audit report.

#### **Auditor's Opinion**

In my opinion:

(a) the financial report of Hobart International Airport Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Hobart International Airport Pty Ltd as at 30 June 2007 and its financial performance for the year ended on that date, and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations regulations 2001*.

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

#### **TASMANIAN AUDIT OFFICE**



H M Blake  
**AUDITOR-GENERAL**

HOBART  
27 August 2007

# Income Statement

For the year ended 30 June 2007

	NOTE	2007 \$	2006 \$
Revenue	2	17,518,246	15,978,692
Other income	3	270,859	15,470
Employee benefits	4	(2,360,554)	(2,023,060)
Services and utilities		(1,766,733)	(1,738,543)
Administration		(1,838,917)	(1,885,614)
Maintenance		(534,589)	(434,391)
Depreciation and amortisation		(2,051,875)	(1,968,342)
Other expenses	6	(5,115)	(398,769)
Finance costs		(2,478,812)	(2,138,935)
<b>Profit before income tax</b>		<b>6,752,510</b>	<b>5,406,508</b>
Income tax expense	10	(1,975,935)	(1,621,084)
<b>Profit for the year</b>	24	<b>4,776,575</b>	<b>3,785,424</b>
<b>Profit attributable to the equity holders of the parent</b>		<b>4,776,575</b>	<b>3,785,424</b>

The Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 22 to 41.

# Statement of Recognised Income and Expense

For the year ended 30 June 2007

	NOTE	2007 \$	2006 \$
<b>Income and expense recognised directly in equity</b>		-	-
Profit for the year	24	4,776,575	3,785,424
<b>Total recognised income and expense for the year</b>		<u>4,776,575</u>	<u>3,785,424</u>

Other movements in Equity arising from transactions with owners as owners are set out in note 24.

The Statement of Recognised Income and Expense is to be read in conjunction with the notes to the financial statements set out on pages 22 to 41.

# Balance Sheet

As at 30 June 2007

	NOTE	2007 \$	2006 \$
<b>Current assets</b>			
Cash and cash equivalents	11	1,023,163	2,709,135
Trade receivables	12	652,291	1,361,170
Inventories	1(i)	8,694	11,289
Other current assets	13	1,217,643	587,452
<b>Total current assets</b>		<b>2,901,791</b>	<b>4,669,046</b>
<b>Non-current assets</b>			
Runway overlay sinking fund	1(j)	3,725,081	2,728,231
Property, plant and equipment	14	50,075,018	37,220,679
Investment property	15	3,548,147	3,665,162
Goodwill	17	21,091,433	21,091,433
Other intangible assets	18	1,184,778	1,480,972
Deferred tax asset	19	450,578	406,629
Prepaid operating lease	1(u)	2,472,222	2,500,000
<b>Total non-current assets</b>		<b>82,547,257</b>	<b>69,093,106</b>
<b>Total assets</b>		<b>85,449,048</b>	<b>73,762,152</b>
<b>Current liabilities</b>			
Short-term borrowings	20	389,621	-
Long-term borrowings	21	38,619,421	-
Trade and other payables	22	3,617,840	1,957,961
Current tax liability	23	838,444	827,337
Employee benefits	1(v)	827,113	735,171
<b>Total current liabilities</b>		<b>44,292,439</b>	<b>3,520,469</b>
<b>Non-current liabilities</b>			
Long-term borrowings	21	-	31,500,000
Deferred tax liability	19	3,283,483	3,759,595
Employee benefits	1(v)	16,659	9,982
Other non-current liabilities		1,241	743
<b>Total non-current liabilities</b>		<b>3,301,383</b>	<b>35,270,320</b>
<b>Total liabilities</b>		<b>47,593,822</b>	<b>38,790,789</b>
<b>Net assets</b>		<b>37,855,226</b>	<b>34,971,363</b>
<b>Equity</b>			
Share capital	24	7,657,500	7,657,500
General reserve	24	25,000,000	25,000,000
Retained earnings	24	5,197,726	2,313,863
<b>Total equity</b>		<b>37,855,226</b>	<b>34,971,363</b>

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 22 to 41.

# Cash Flow Statement

For the year ended 30 June 2007

	NOTE	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		17,272,842	14,713,569
Cash paid to suppliers and employees		(4,709,543)	(5,550,977)
<b>Cash generated from operations</b>		<u>12,563,299</u>	<u>9,162,592</u>
Income taxes paid		(2,484,888)	(2,163,143)
<b>Net cash provided by operating activities</b>	27	10,078,411	6,999,449
<b>Cash flows from investing activities</b>			
Payments into investments		(996,850)	(1,671,845)
Purchase of property, plant and equipment	14	(14,464,889)	(4,185,467)
Purchase of investment property	15	(30,000)	(406,076)
Proceeds from sale of property, plant and equipment		24,546	163,420
Interest received		565,291	310,727
<b>Net cash used in investing activities</b>		<u>(14,901,902)</u>	<u>(5,789,241)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		7,889,621	-
Borrowings repaid		(380,579)	-
Interest paid		(2,478,811)	(2,138,935)
Dividends paid	24	(1,892,712)	(763,267)
<b>Net cash provided/(used) by financing activities</b>		<u>3,137,519</u>	<u>(2,902,202)</u>
<b>Net decrease in cash and cash equivalents</b>		(1,685,972)	(1,691,994)
Cash and cash equivalents at the beginning of the year	11	2,709,135	4,401,129
<b>Cash and cash equivalents at the end of the year</b>	11	<u>1,023,163</u>	<u>2,709,135</u>

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements set out on pages 22 to 41.

# Notes to the Financial Statements

For the year ended 30 June 2007

## 1 Significant accounting policies

The financial report was authorised for issue by the directors on 22 August 2007.

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. AASBs include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with the AIFRS adopted by the Company ensures that the financial report complies with International Financial Reporting Standards ('IFRS').

### (b) Basis of preparation

The financial report is presented in Australian dollars. The entity has elected to early adopt the following accounting standards and amendments as at 1 July 2006:

AASB 8	<i>Operating Segments</i>
AASB 2007-3	<i>Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 &amp; AASB 1038]</i>
AASB 2007-4	<i>Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 &amp; 1038]</i>
AASB 2007-7	<i>Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 &amp; AASB 128]</i>

#### **Issued standards not early adopted**

The following standards and amendments were available for early adoption but have not been applied by the Company in the financial report:

AASB 7	<i>Financial instruments: Disclosure</i> (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007
AASB 123	<i>Borrowing Costs</i>
AASB 2005-10	Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosures and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

#### *Interpretation 4 Determining whether an Arrangement contains a Lease*

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 123 is not expected to have an impact on the financial results of the Company as the transitional provisions of the standard do not require retrospective application.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

## (b) Basis of preparation (cont'd)

The initial application of Interpretation 4 is not expected to have an impact on the financial results of the Company as it is not expected to give rise to any new leases.

The following standards and amendments have been issued and are available for early adoption at reporting date. However, they have not been early adopted as they are not applicable to the Company and have no impact on its financial result:

AASB 1048	<i>Interpretation and Application of Standards</i>
AASB 1049	<i>Financial Reporting of General Government Sectors by Governments</i>
AASB 2006-3	<i>Amendments to Australian Accounting Standards [AASB 1045]</i>
AASB 2006-4	<i>Amendments to Australian Accounting Standards [AASB 134]</i>
AASB 2007-1	<i>Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]</i>
AASB 2007-2	<i>Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 &amp; AASB 139]</i>
AASB 2007-5	<i>Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]</i>

Interpretation 10 *Interim Financial Reporting and Impairment*

Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*

Interpretation 12 *Service Concession Arrangements*

Interpretation 129 *Service Concession Arrangements: Disclosures*

The financial report is prepared on the historical cost basis except that property, plant & equipment and investment property are stated using the deemed cost basis.

On 7 June 2007, the Tasmanian State Government announced in its 2007 State Budget that it intends to sell the Hobart International Airport to the private sector. It is anticipated that the sale process will be completed sometime during the 2007-08 financial year. It is intended to sell the airport as a going concern and as such, the only effect this announcement has had on the financial accounts of the Company is in relation to its long term borrowings.

Currently, as a State-Owned-Company, the Company is obligated to borrow from Tasmanian Public Finance Corporation (Tascorp), however, this financial institution is only permitted to lend to Government entities. As such, all loans with Tascorp will need to be repaid in full upon completion of the sale.

Similarly, the terms of the loan agreement between the Company and the Company's immediate parent entity, Tasmanian Ports Corporation Pty Ltd (Tasports), require the loan to be repaid in full on demand should Tasports lose the majority control of the Company.

Due to the expectation that all long-term borrowings will be repaid during 2007-08, they have all be classified as current in the financial statements.

The preparation of a financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

**(b) Basis of preparation (cont'd)**

Judgements made by management in the application of AASBs that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Note 1(y).

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

**(c) Revenue**

***Rental income from investment property***

Rental income from investment property is recognised in the Income Statement on a straight line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which benefits derived from the leased asset are diminished.

***Interest***

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial assets.

***Sale of goods and rendering of services***

Revenue from the sale of goods is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the Income Statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

**(d) Finance costs**

Finance costs comprise:

- 1) Interest payable on borrowings, which is calculated using the effective interest method; and
- 2) Borrowing costs, which are expensed as incurred.

**(e) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(f) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

**(f) Income tax (continued)**

The following temporary differences are not provided for: initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and at-call deposits.

**(h) Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses.

**(i) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

**(j) Runway overlay sinking fund**

This fund is monies held for future capital works associated with runway maintenance, which is not expected to occur within the next 12 months.

**(k) Property, plant and equipment**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**(l) Investment property**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost or deemed cost less accumulated depreciation and impairment losses

If an investment property becomes owner-occupied, it is reclassified as property.

**(m) Depreciation**

Property, plant and equipment and investment property are depreciated using the straight-line method over their estimated useful lives from the date of acquisition or, in respect of constructed assets, from the time an asset is completed, and held ready for use.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

**(m) Depreciation**

The estimated useful lives used for each class of asset for financial years 2006 and 2007 are as follows:

	<b>Minimum</b>	<b>Maximum</b>
Runways, roads & car parks	11 yrs	100 yrs
Buildings	16 yrs	60 yrs
Plant and equipment	2 yrs	74 yrs
Investment property	25 yrs	60 yrs

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

**(n) Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

**(o) Other intangible assets**

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the Income Statement as an expense as incurred.

**(p) Amortisation**

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

	<b>Note</b>	<b>2007</b>	<b>2006</b>
Lease contract	18	13 years	13 years

**(q) Impairment**

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

**Calculation of recoverable amount**

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

**(q) Impairment (cont'd)**

***Reversals of impairment***

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(r) Short-term borrowings**

Interest on short-term borrowings is charged as an expense as it accrues and taken to the Income Statement as part of borrowing costs.

**(s) Long-term borrowings**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues over the life of the related financial instrument, and taken to the Income Statement as part of borrowing costs.

**(t) Trade and other payables**

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 30-day terms.

**(u) Operating leases**

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Prepayments are recognised in the Balance Sheet.

**(v) Employee benefits**

Liabilities for employee benefits for wages, salaries, annual leave, sick leave and superannuation that are due to be settled within 12 months of the reporting date, which represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

**(w) Share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

**(x) Dividends**

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

**(y) Accounting estimates and judgements**

Management discussed with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Key sources of estimation uncertainty***

The Company assesses whether goodwill is impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash-generating units to which goodwill is allocated.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

	NOTE	2007	2006
		\$	\$
<b>2</b>	<b>Revenue</b>		
	Rendering of services	16,133,619	15,027,460
	Interest	556,837	316,537
	Rental income from investment property	827,790	634,695
		17,518,246	15,978,692
<b>3</b>	<b>Other income</b>		
	Net gain on disposal of property, plant and equipment	-	15,470
	Reversal of impairment loss on trade receivables	270,859	-
		270,859	15,470
<b>4</b>	<b>Employee benefits</b>		
	Salaries and wages	1,788,260	1,522,943
	Superannuation	277,984	243,007
	Leave benefits	294,310	257,110
		2,360,554	2,023,060
<b>5</b>	<b>Investment property expenses</b>		
	Direct operating expenses of investment property that generated rental income included in the Income Statement		
	Employee benefits	1,508	1,551
	Administration	6,692	8,019
	Maintenance	14,039	14,355
		22,239	23,925
<b>6</b>	<b>Other expenses</b>		
	Net loss on disposal of property, plant and equipment	5,115	-
	Impairment of trade receivables	-	398,769
		5,115	398,769
	The 2007 impairment relates to a dispute about the terms of contract due for renewal. The 2006 impairment related to a dispute with a major customer regarding the rates charged for services.		
<b>7</b>	<b>Operating lease expense</b>		
	Minimum lease payments		
	Computer equipment	12,848	17,564

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

	NOTE	2007 \$	2006 \$
<b>8 Auditors' remuneration</b>			
Audit and review of financial reports		24,331	23,150
<b>9 Key management personnel compensation</b>			
The key management personnel compensation included in 'employee benefits expenses' are:			
Short-term employee benefits		871,862	809,362
Post-employment benefits		-	-
Other long-term benefits		1,011	549
Termination benefits		-	-
Share-based payments		-	-
		872,873	809,911
<b>10 Income tax expense</b>			
<i>Recognised in the income statement</i>			
<b>Current tax expense</b>			
Current year	23	2,526,974	2,027,382
Adjustments for prior years		(269,722)	(147)
		2,257,252	2,027,235
<b>Deferred tax expense</b>			
Originating and reversal of temporary differences			
Decrease/(increase) in deferred tax asset	19	(75,720)	(66,103)
Increase/(decrease) in deferred tax liability	19	(205,597)	(340,048)
		(281,317)	(406,151)
Total income tax expense in income statement		1,975,935	1,621,084
<i>Numerical reconciliation between tax expense and pre-tax net profit</i>			
Profit before tax		6,752,510	5,406,508
Income tax using the domestic corporation tax rate of 30% (2006: 30%)		2,025,753	1,621,952
Increase/(decrease) in income tax expense due to:			
Temporary difference on assets not recognised		218,705	-
Non-deductible expenses		1,199	(721)
		2,245,657	1,621,231
Under/(over) provided in prior years		(269,722)	(147)
Income tax expense on pre-tax net profit		1,975,935	1,621,084
<b>11 Cash and cash equivalents</b>			
Cash at bank and on hand		1,023,123	2,709,135
At call deposit		40	-
		1,023,163	2,709,135

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

	NOTE	2007	2006
		\$	\$
12	Trade receivables		
	Trade receivables	671,807	1,769,939
	Less: Impairment of receivables	(19,516)	(408,769)
		<u>652,291</u>	<u>1,361,170</u>
13	Other current assets		
	Accrued revenue	927,711	463,906
	Accrued interest	9,295	17,749
	Prepaid operating lease	27,778	27,778
	Net GST receivable	214,274	-
	Other prepayments	38,585	78,019
		<u>1,217,643</u>	<u>587,452</u>

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

## 14 Property, plant and equipment

	Land	Buildings	Runways, roads and car parks	Plant and equipment	Under construction	TOTAL
	\$	\$	\$	\$	\$	\$
<b>At cost</b>						
<i>Balance as at 1 July 2005</i>	-	4,317,668	15,988,339	9,945,913	5,815,546	36,067,466
Constructed assets put in use	-	3,757,194	847,572	3,999,984	(8,604,750)	-
Transfer to investment property	-	-	-	-	(358,076)	(358,076)
Other acquisitions	-	-	-	488,299	4,055,244	4,543,543
Disposals	-	(42,015)	(8,948)	(170,528)	-	(221,491)
<b>Balance as at 30 June 2006</b>	-	<b>8,032,847</b>	<b>16,826,963</b>	<b>14,263,668</b>	<b>907,964</b>	<b>40,031,442</b>
<i>Balance as at 1 July 2006</i>	-	8,032,847	16,826,963	14,263,668	907,964	40,031,442
Construction assets put in use	-	-	94,506	399,387	(493,893)	-
Transfer to investment property	-	-	-	-	-	-
Other acquisitions	826,761	-	-	235,453	13,402,675	14,464,889
Disposals	-	-	-	(42,308)	-	(42,308)
<b>Balance as at 30 June 2007</b>	<b>826,761</b>	<b>8,032,847</b>	<b>16,921,469</b>	<b>14,856,200</b>	<b>13,816,746</b>	<b>54,454,023</b>
<b>Depreciation and impairment losses</b>						
<i>Balance as at 1 July 2005</i>	-	231,045	591,882	557,224	-	1,380,150
Depreciation charge for the year	-	256,884	540,724	706,544	-	1,504,152
Disposals	-	(32,088)	(263)	(41,188)	-	(73,539)
<b>Balance as at 30 June 2006</b>	-	<b>455,841</b>	<b>1,132,342</b>	<b>1,222,580</b>	-	<b>2,810,763</b>
<i>Balance as at 1 July 2006</i>	-	455,841	1,132,342	1,222,580	-	2,810,763
Depreciation charge for the year	-	256,846	552,719	771,324	-	1,580,889
Disposals	-	-	-	(12,647)	-	(12,647)
<b>Balance as at 30 June 2007</b>	-	<b>712,687</b>	<b>1,685,061</b>	<b>1,981,257</b>	-	<b>4,379,005</b>
<b>Carrying amounts</b>						
<i>At 1 July 2005</i>	-	4,086,623	15,396,457	9,388,689	5,815,546	34,687,316
<b>At 30 June 2006</b>	-	<b>7,577,006</b>	<b>15,694,621</b>	<b>13,041,088</b>	<b>907,964</b>	<b>37,220,679</b>
<i>At 1 July 2006</i>	-	7,577,006	15,694,621	13,041,088	907,964	37,220,679
<b>At 30 June 2007</b>	<b>826,761</b>	<b>7,320,160</b>	<b>15,236,408</b>	<b>12,874,943</b>	<b>13,816,746</b>	<b>50,075,018</b>

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

15 Investment property	2007	2006
	\$	\$
<b>Buildings - at cost</b>		
Balance at 1 July	3,941,778	3,535,702
Transfers from property, plant and equipment	-	358,076
Other acquisitions	30,000	48,000
Disposals	-	-
Balance at 30 June	3,971,778	3,941,778
<b>Buildings - accumulated depreciation</b>		
Balance at 1 July	276,616	136,400
Depreciation charge for the year	147,015	140,216
Disposals	-	-
Balance at 30 June	423,631	276,616
Carrying amount	3,548,147	3,665,162

## 16 Fair Value

An independent assessment of the replacement cost of the Company's property, plant and equipment was performed as at 30 June 2006. These values have been indexed using applicable manufacturing and construction indexes and then depreciated over their useful lives to establish their depreciated replacement cost as at 30 June 2007. The depreciated replacement cost of any assets acquired during 2006-07 have been assumed to be materially consistent with their net book value. These values are representative of the assets' fair values and are as listed below.

	Fair Value	Book Value
	\$	\$
<b>As at 30 June 2007</b>		
Land	826,761	826,761
Buildings	7,524,559	7,320,160
Runways, roads and car parks	16,518,116	15,236,408
Plant and equipment	13,468,347	12,874,943
Investment property	4,000,752	3,548,147
	42,338,535	39,806,419

## 17 Goodwill

	2007	2006
	\$	\$
Hobart International Airport	21,091,433	21,091,433

The recoverable amount of the Hobart International Airport cash-generating unit is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and the five-year business plan. Cash flows for a further 10 year period are extrapolated using a 3 per cent growth rate and are appropriate because the airport is a long-term business. This growth rate is consistent with the long-term average growth rate for the industry. A pre-tax discount rate of 15 per cent has been used in discounting the projected cash flows.

It was concluded that no impairment existed at 30 June 2007 or at 30 June 2006.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

	2007	2006
	\$	\$
<b>18 Other intangible assets</b>		
<i>Lease contract from business combination</i>		
Balance at 1 July	3,850,529	3,850,529
Balance at 30 June	3,850,529	3,850,529
<i>Accumulated amortisation</i>		
Balance at 1 July	2,369,557	2,073,362
Amortisation charge for the year, recognised in 'Depreciation and amortisation' in the Income Statement		
	296,194	296,195
Balance at 30 June	2,665,751	2,369,557
Carrying amount	1,184,778	1,480,972

## 19 Deferred tax asset and liability

Balance 1 July 2005	Prior year under/ over	Recognised in income	Balance 30 June 2006	Balance 1 July 2006	Prior year under/ over	Recognised in income	Balance 30 June 2007
\$	\$	\$	\$	\$	\$	\$	\$

### Movement in temporary differences during the year

#### Deferred tax liability

Property, plant and equipment	2,793,350	-	(245,301)	2,548,049	2,548,049	931,501	(202,953)	3,276,597
Other intangible assets	533,150	-	(88,858)	444,292	444,292	(444,292)	-	-
Prepaid operating lease	766,687	-	(8,354)	758,333	758,333	(758,333)	-	-
Other	6,456	-	2,465	8,921	8,921	609	(2,644)	6,886
	<b>4,099,643</b>	<b>-</b>	<b>(340,048)</b>	<b>3,759,595</b>	<b>3,759,595</b>	<b>(270,515)</b>	<b>(205,597)</b>	<b>3,283,483</b>

#### Deferred tax asset

Employee benefits	212,670	-	27,526	240,196	240,196	(16,426)	48,216	271,986
Accounting costs capitalised for tax	29,753	2,684	(8,947)	23,490	23,490	1,145	122,938	147,573
Other	95,419	-	47,524	142,943	142,943	(16,490)	(95,434)	31,019
	<b>337,842</b>	<b>2,684</b>	<b>66,103</b>	<b>406,629</b>	<b>406,629</b>	<b>(31,771)</b>	<b>75,720</b>	<b>450,578</b>

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

	NOTE	2007	2006
		\$	\$
20	Short-term borrowings		
	On call overnight loan	389,621	-
21	Long-term borrowings		
	<b>Current</b>		
	External loan - secured	31,500,000	-
	Loan from parent company - unsecured	7,119,421	-
		<u>38,619,421</u>	<u>-</u>
	<b>Non-current</b>		
	External loan - secured	-	31,500,000
		<u>-</u>	<u>31,500,000</u>
	<p>The Company has an external loan facility of \$36,000,000 (2006: \$36,000,000). This facility is secured by a floating charge. \$31,500,000 was drawn down with a maturity date of 29 June 2014 and a fixed rate interest charge of 6.49% p.a. \$4,500,000 was established as an overnight, on call, overdraft facility with a floating rate interest charge. As at 30 June 2007, \$4,110,379 of the facility was unused (2006: \$4,500,000).</p>		
	<p>The Company has a loan from its parent company (Tasmanian Ports Corporation Pty Ltd) which is not secured. The loan has a maturity date of 31 October 2011 and a fixed rate interest charge of 6.15% p.a.</p>		
22	Trade and other payables		
	Trade payables	248,857	220,854
	Revenue received in advance	429,143	434,438
	Rebates	65,508	65,508
	Fringe benefits tax	15,000	14,999
	Withholding tax payable	516	-
	Net GST payable	-	78,878
	Non-trade payables and accrued expenses	2,858,816	1,143,284
		<u>3,617,840</u>	<u>1,957,961</u>
23	Current tax liability		
	Balance at 1 July	827,337	960,561
	Tax paid in respect of prior years	(796,358)	(963,442)
	Tax paid in respect of current year	(1,688,530)	(1,199,701)
	Over/(under) provision of tax in prior years	(30,979)	2,537
	Current year tax provision	2,526,974	2,027,382
	Balance at 30 June	<u>838,444</u>	<u>827,337</u>

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

24 Capital and reserves	Share capital	Contribution by owners	General reserve	Retained earnings	TOTAL
	\$	\$	\$	\$	\$
<i>Balance at 1 July 2005</i>	7,657,500	-	22,000,000	2,291,706	31,949,206
Total recognised income and expense	-	-	-	3,785,424	3,785,424
Share buy-back	-	-	-	-	-
Fully franked dividends to shareholders	-	-	-	(763,267)	(763,267)
Transfers	-	-	3,000,000	(3,000,000)	-
<b>Balance at 30 June 2006</b>	<b>7,657,500</b>	<b>-</b>	<b>25,000,000</b>	<b>2,313,863</b>	<b>34,971,363</b>
<i>Balance at 1 July 2006</i>	7,657,500	-	25,000,000	2,313,863	34,971,363
Total recognised income and expense	-	-	-	4,776,575	4,776,575
Fully franked dividends to shareholders	-	-	-	(1,892,712)	(1,892,712)
Transfers	-	-	-	-	-
<b>Balance at 30 June 2007</b>	<b>7,657,500</b>	<b>-</b>	<b>25,000,000</b>	<b>5,197,726</b>	<b>37,855,226</b>

#### Share Capital

##### Ordinary shares

On issue and fully paid at 1 July

Shares issued

On issue at 30 June

	2007	2006
	\$	\$
On issue and fully paid at 1 July	7,657,500	7,657,500
Shares issued	-	-
On issue at 30 June	7,657,500	7,657,500

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

##### Ordinary shares - terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

##### General reserve

Director determined amounts are transferred from retained earnings to be held for funding specific projects that are announced from time to time.

##### Dividends

###### Fully franked dividends

Final dividend for prior year

Cents per share

Date paid

Franked dividends paid during the year were franked at the tax rate of 30% (2006: 30%).

	2007	2006
Final dividend for prior year	\$ 1,892,712	\$ 763,267
Cents per share	24.72	9.97
Date paid	14/11/2006	25/11/2005

##### Dividend franking account

30 per cent franking credits available to shareholders of Hobart International Airport Pty Ltd for subsequent years

Franking credits only remain available whilst the Company pays tax under the National Income Tax Equivalent Regime.

	2007	2006
	\$	\$
30 per cent franking credits available to shareholders of Hobart International Airport Pty Ltd for subsequent years	6,836,525	5,162,800

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

## 25 Commitments

### Capital expenditure commitments

#### Property, plant and equipment

Contracted but not provided for and payable:

	2007	2006
	\$	\$
Within 12 months	2,337,756	19,950
12 months or longer and not longer than five years	-	-
Longer than five years	-	-
	2,337,756	19,950

#### Leases as lessee

Future non-cancellable operating lease rentals of plant and equipment, not provided for in the financial statements and payable:

Not later than one year	7,078	12,979
Later than one year and not later than five years	-	7,078
Later than five years	-	-
	7,078	20,057

The Company leases computer equipment under operating leases with three year terms and payable three monthly in arrears.

#### Leases as lessor

Future non-cancellable operating lease rentals of property, not provided for in the financial statements and receivable:

Not later than one year	3,270,737	3,254,211
Later than one year and not later than five years	9,523,140	8,130,264
Later than five years	7,291,732	4,081,924
	20,085,609	15,466,399

## 26 Contingencies

Subject to certain proposed major developments proceeding to commencement of construction on the Airport, the Company has significant infrastructure commitments that may require additional borrowings. As at 30 June 2007, the value of these commitments could not be reliably measured.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

27 Reconciliation of cash flows from operating activities	2007	2006
	\$	\$
Profit	4,776,575	3,785,424
<i>Adjustments for:</i>		
Depreciation and amortisation	2,051,875	1,968,342
Finance costs	2,478,812	2,138,935
Interest revenue	(556,837)	(316,537)
(Gain)/loss on sale of property, plant and equipment	5,115	(15,470)
	8,755,540	7,560,694
(Increase)/decrease in trade receivables	708,879	(596,262)
(Increase)/decrease in inventories	2,595	(6,224)
(Increase)/decrease in other current assets	(630,191)	188,583
Increase/(decrease) in interest receivable	(8,454)	5,810
(Increase)/decrease in deferred tax asset	(43,949)	(68,787)
Increase/(decrease) in trade and other payables	1,660,377	299,536
Increase/(decrease) in employee benefits	98,619	89,371
Increase/(decrease) in income tax payable	11,107	(133,224)
Increase/(decrease) in deferred tax liability	(476,112)	(340,048)
Net cash from operating activities	10,078,411	6,999,449

## 28 Related parties

### Transactions with key management personnel

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Financial services provided by ASIR Pty Ltd-Director Williams \$24,314 (2006:\$4,852)

Advertising space provided to manager \$Nil (2006:\$1,750)

Included in trade receivables is an amount receivable from the manager of \$Nil (2006: \$275).

This amount is to be settled in cash and is covered by an arm's length, binding lease contract.

### Transactions with parent entity

From 1 January 2006, the parent entity of the Company is Tasmanian Ports Corporation Pty Ltd, which holds 100% ownership. Previous to this, the parent entity was Hobart Ports Corporation Pty Ltd, which held 100% ownership.

Hobart Ports Corporation Pty Ltd provided the Company with secretarial, technical services and financial services on a fee for services basis. The value of these services for the financial year was \$Nil (2006: \$291,900).

Tasmanian Ports Corporation Pty Ltd, the current parent entity, provides the Company with payroll services on a fee for services basis. The value of these services for the financial year was \$12,000 (2006: \$6,000).

Included in trade receivables is an amount receivable from the parent entity of \$Nil (2006: \$166).

Included in trade and other payables is an amount payable to the parent entity of \$24,921 (2006: \$23,260).

These receivables and payables are not expected to be settled net or simultaneously.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

## 28 Related parties (cont'd)

### **Impairment of related party receivables**

No expense for the impairment of receivables was recognised during the year in relation to related parties.

### **Ultimate parent entity**

The ultimate parent entity of the Company is the Crown in Tasmania.

## 29 Financial instruments

### **(a) Credit risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk of financial assets of the Company, which have been recognised on the balance sheet, is the carrying amount, net of any impairment.

No collateral is held in respect of these assets.

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of customers. However, the majority of customers are concentrated in Australia.

Credit risk in trade receivables is also managed by having payment terms of 14 days.

### **(b) Interest rate risk**

The Company's fixed-rate borrowings are exposed to a risk of change in their market value and cash flows due to changes in interest rates.

### **(c) Sensitivity analysis**

As the interest rate on the overdraft is floating, it is estimated that a general increase in interest rates of one percent would decrease the Company's profit before tax by approximately \$3,896 (2006: \$Nil).

As the interest rates on the Company's investments and cash deposits are floating, it is estimated that a general increase in interest rates of one percent would increase the Company's profit before tax by approximately \$46,973 (2006: \$54,374).

The Company is not exposed to currency risk.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

## 29 Financial Instruments (continued)

### (d) Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or reprice, whichever is the earlier.

	NOTE	Effective interest rate	Floating interest rate	Fixed interest rate maturing in more than 4 but not more than 5 years		Total
		%	\$	\$	\$	\$
<b>2007</b>						
<b>Financial assets</b>						
Cash and cash equivalents	11	5.84 %	1,023,163	-	-	1,023,163
Runway overlay sinking fund	1(j)	6.39 %	3,725,081	-	-	3,725,081
			4,748,244	-	-	4,748,244
<b>Financial liabilities</b>						
Short-term borrowings	20	6.50 %	389,621	-	-	389,621
Loan from parent company	21	6.15 %	-	7,119,421	-	7,119,421
External loan	21	6.49 %	-	-	31,500,000	31,500,000
			389,621	7,119,421	31,500,000	39,009,042
<b>2006</b>						
<b>Financial assets</b>						
Cash and cash equivalents	11	5.53 %	2,709,135	-	-	2,709,135
Runway overlay sinking fund	1(j)	6.01 %	2,728,231	-	-	2,728,231
			5,437,366	-	-	5,437,366
<b>Financial liabilities</b>						
External loan	21	6.49 %	-	-	31,500,000	31,500,000
			-	-	31,500,000	31,500,000

### (e) Fair values

Net fair values of financial assets and liabilities are determined by the Company on the following bases:

The net fair value of cash, investments, trade receivables and trade payables are determined by valuing them at their carrying amounts, as it is believed that due to their short-term maturity, their carrying amounts approximate their fair values.

The net fair value of long-term borrowings are determined by valuing their discounted cash flows, at market interest rates of similar borrowings, to their present value.

# Notes to the Financial Statements (cont'd)

For the year ended 30 June 2007

## 29 Financial instruments (continued)

### (e) Fair values (cont'd)

#### *Net fair values*

The carrying amounts and fair values of financial assets and liabilities as at the reporting date are as follows:

	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash and cash equivalents	1,023,163	1,023,163	2,709,135	2,709,135
Trade receivables	652,291	652,291	1,361,170	1,361,170
Accrued revenue	937,006	937,006	481,655	481,655
Runway overlay sinking fund	3,725,081	3,725,081	2,728,231	2,728,231
	<u>6,337,541</u>	<u>6,337,541</u>	<u>7,280,191</u>	<u>7,280,191</u>
<i>Financial liabilities</i>				
Short-term borrowings	389,621	389,621	-	-
Trade and other payables	3,188,697	3,188,697	1,523,523	1,523,523
Employee benefits	843,772	843,772	745,153	745,153
Long-term borrowings	38,619,421	37,869,406	31,500,000	32,941,755
	<u>43,041,511</u>	<u>42,291,496</u>	<u>33,768,676</u>	<u>35,210,431</u>

# Directors' Declaration

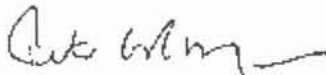
For the year ended 30 June 2007

In the opinion of the directors of Hobart International Airport Pty Ltd ("the Company"):

- (a) The financial statements and notes, set out on pages 18 to 41, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Company as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Cambridge this 22nd day of August 2007.

Signed in accordance with a resolution of the Board of Directors:



**P G Morgan**  
Director



**A G Kemp**  
Director