

another successful journey

Annual Report 2009/10



From the CEO and Chairman



In the face of the industry downturn, Newcastle Airport continued to invest in infrastructure, completing a five-year program of capital investment totalling more than \$40 million. This year, completed developments included a terminal expansion that resulted in a 30% increase in the total floor space and an extra five check-in desks; an expansion of the checked bag screening system; and the opening of an 880 space car park, connected to the terminal by a dedicated shuttle, AirBus.

We had great pleasure this year in accepting a number of industry accolades. Newcastle Airport received the highly regarded 'Contribution to the Region' award by the Hunter Business Chamber, the MAP 'Fastest Growing Award' and the Gold Award in the 'Specialised Tourism Services'

category at both the Hunter Regional Tourism Awards and Tourism NSW Awards. The Airport was also named finalist at the Qantas Australian Tourism Awards, which were held in Hobart in February 2010.

Financially, profitability was consistent with previous years, noting the impact of additional infrastructure on operating costs.

Customer satisfaction remained high across all airport services with an exceptional level of appreciation for our Airport Ambassadors.

Thank you to the Airport team and our business partners for your continued support in growing our contribution to the regional economy.



Paul Hughes
Paul Hughes - CEO



After several years of unprecedented growth, this financial year has been one for consolidation. Newcastle Airport maintained the same passenger throughput as in 2008/09 despite the financial downturn and its global impact on the industry. This attests well for the local economy and the role of Newcastle Airport in sustaining it.

Following an extended review into the company structure, the shareholder Councils of Port Stephens and Newcastle City determined in March to maintain the current profile. They signalled a strong desire to maintain the Airport as a community owned asset whilst monitoring developments around the debate into the future aviation needs of the Sydney region, and preparing for measured growth.

The Board renewed the CEO's contract for five years, and directed an examination of the management structure and operating costs in order to sustain the company and prepare for



future growth. Corporate exposure and risk was further reduced with Defence agreeing to a combined emergency exercise to be held in August 2010 in preparation for the Williamstown Air Show.

The Board thanks both the management of Newcastle Airport and the company's stakeholders for their excellent work and for contributing towards a successful year under trying circumstances.

John Kindler John Kindler - Chairman

2009/10 Highlights

Total passenger movements for 2009/10 were 1,124,163; 3.8%, or 44,810 less than 2008/09.



Newcastle City Council and Port Stephens Council determined that the existing Council ownership structure of Newcastle Airport Limited would remain.



An 880 space Bronze Car Park was completed and officially opened, increasing the number of car spaces on the precinct to almost 2,000.

A dedicated shuttle, AirBus, was introduced as a customer service initiative to transport passengers and staff between the terminal and Bronze Car Park.



The fuel farm was relocated adjacent to the Bronze Car Park to provide better re-fuelling efficiencies for aircraft and released land back to Newcastle Airport.



More than \$70,000 was donated to the local community in support of children's education, sport, the arts and culture.



An expansion of the terminal to the west, which included the development of premium offices and doubling the size of check-in, was officially opened.

Newcastle Airport was awarded the Gold Award at both the Hunter Regional Tourism Awards and Tourism NSW Awards, and named a finalist in the Qantas Australian Tourism Awards in the Specialised Tourism Services category.



The development of a new accounting software system was implemented and ready to go live on 1 July 2010.

An upgrade to the flight information display system enabled an increase in the number of screens in the terminal and integration with the Newcastle Airport website.

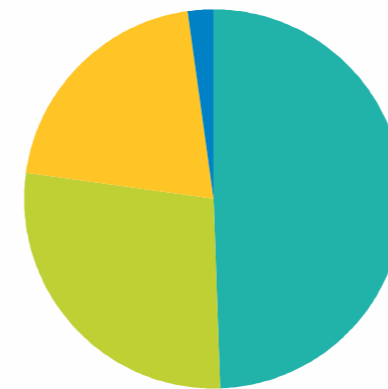
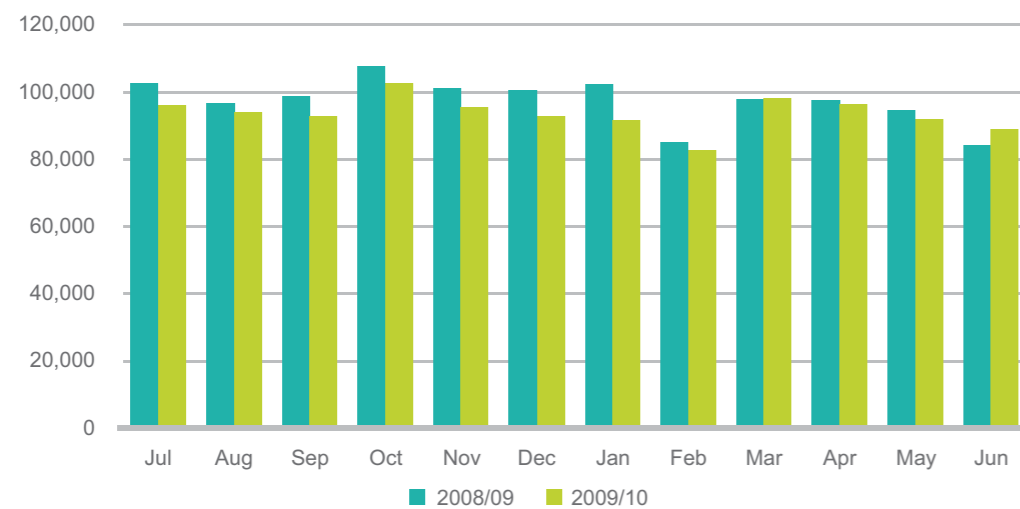


Newcastle Airport was presented the Contribution to the Region Award at the 2009 Hunter Business Chamber Awards.

The second Newcastle Airport Charity Golf Day raised \$30,000 for the Hunter Breast Cancer Foundation.



Monthly passenger movements



Key revenue indicators

Aeronautical	\$8,785,005	49%
Car parking	\$4,949,948	28%
Property management	\$3,639,728	20%
Administration	\$408,921	2%



30% INCREASE IN TERMINAL FLOOR SPACE

5 ADDITIONAL CHECK-IN DESKS

19/10/09 TERMINAL EXPANSION OFFICIALLY OPENED

\$720,000 CHECKED BAG SCREENING SYSTEM EXTENSION

880 NEW CAR SPACES OPENED

2000 TOTAL CAR SPACES ON PRECINCT

10/09 NEW FLIGHT INFO SCREENS INSTALLED

FOC COURTESY BUS SERVICE

AIR BP & CALTEX-NEW AVIATION FUEL TANK FARM

17 PAY-AS-YOU-GO INTERNET KIOSKS

07/10 TECHNOLOGYONE SOFTWARE

2009/10 focussed on future-proofing the Airport for growth

Ownership

In March 2010, the Councils confirmed that the existing Council ownership structure should remain in place. The ongoing community ownership of Newcastle Airport Limited will continue to provide significant economic benefits to the region.

A light-filled, spacious terminal expansion

Innovative design and construction management allowed the delivery of significantly improved Airport facilities during 2009/10 with minimal disruption to passengers.

The completion of the terminal expansion at check-in resulted in a 30% increase in the total floor space within the terminal.

The relocation of airline offices to the first floor allowed for the check-in zone to be expanded and for natural, bright light to fill the space. The installation of five additional check-in desks brought the total number of check-in desks to 17; ensuring that Newcastle Airport is well placed for future growth.

The terminal expansion was officially opened in front of more than 80 guests by Newcastle Lord Mayor, Councillor John Tate and Port Stephens Mayor, Councillor Bruce MacKenzie on Monday, 19 October 2009.

Checked bag screening extension

The terminal extension led to the requirement to also extend the checked bag screening system, which was completed in May 2010. This \$720,000 project involved the extension of the conveyor system and a retrofit for all 17 check-in desks with two stage injector belts; designed to limit the flow of baggage to maximise screening and minimise baggage jams.

Bronze Car Park and AirBus

In response to passenger throughput growth and increasing car park demand, Newcastle Airport completed a major expansion of its car parking facilities in September 2009 by opening the 880 space Bronze Car Park. This car park brought the total number of car park spaces at Newcastle Airport to almost 2,000.

The opening of the car park increased the cost-effective, long-term parking options for Newcastle Airport users, and was the instigator for the commencement of the free-of-charge courtesy bus service, AirBus, to the terminal for passengers parking in Bronze Car Park.

Fuel farm

In a joint venture, Air BP and Caltex constructed a new aviation fuel tank farm adjacent to the Bronze Car Park. The new fuel farm improved efficiencies for the two companies and released land, both landside and airside, back to Newcastle Airport.

Flight information display screens

In October 2009, an upgrade to the flight information display system was installed throughout the terminal building. New screens provided Newcastle Airport with the ability to better manage aircraft parking and communication of flight information to passengers in more places within the terminal. It also enabled live-feed connectivity with the Newcastle Airport website.

Internet facilitates customer service

During the year, Newcastle Airport replaced its paper-based customer feedback system with internet-based electronic customer feedback stations. The stations provided the ability for up-to-the-minute customer feedback reporting. The Airport also introduced pay-as-you-go internet kiosks within the terminal for use by passengers.

TechnologyOne

Following a tender process, Newcastle Airport selected TechnologyOne Financials software for its finance, property management and events and client relationship management. TechnologyOne is scheduled to go live from 1 July 2010.



The role of the Ambassadors is to provide a high level of customer service to all passengers and visitors to Newcastle Airport to enhance the total journey experience.

Our asset; our people

Staff survey

Newcastle Airport engaged a third party organisation to conduct, for the fourth consecutive year, a staff survey. The purpose of the survey was to measure the effectiveness of newly developed staff programs and to provide a confidential avenue for staff to raise issues and share opinions about Newcastle Airport.

Results from the 2009 survey indicated that significant improvements in performance management, purpose, vision and customer focus were made from the 2008 survey.

The results from the survey continued to be used by management to ensure that Newcastle Airport remained an employer of choice.

More team members improve customer service

The opening of the Bronze Car Park was the catalyst for the commencement of AirBus, the free-of-charge shuttle between the car park and the terminal; this resulted in the employment of seven new team members whose time was split between checked bag screening and driving the AirBus.

Ambassadors

2009 marked the second anniversary of Newcastle Airport's volunteer Ambassador Program. The team of 19 Ambassadors celebrated this anniversary at an appreciation dinner.

The role of the Ambassadors is to provide a high level of customer service to all passengers and visitors to Newcastle Airport to enhance the total journey experience.

Federal government changes to remuneration awards

Consultation conducted between Newcastle Airport and its industrial relations experts resulted in Newcastle Airport Limited being named exempt from the Federal Industrial Relations system and instead falling under the NSW Award, commencing 1 January 2010.

Industrial Relations experts conducted briefings and information sessions to staff in June 2010.

Aviation safety and security a priority

Transport Security Program review

Over a five month period, Newcastle Airport's security team conducted a full review of the Airport's Transport Security Program (TSP). This review included amending the document to include changes to Newcastle Airport's day-to-day security operations such as the Security Restricted Area and Aviation Security Identification Card program, as well as the outcomes of a vulnerabilities study conducted by Australian Security Intelligence Organisation T4 on Australian regional screened ports.

Upon submission to the Office of Transport Security, the TSP was approved with reviews from the Regulator stating that Newcastle Airport's TSP is 'one of the best in the country'.

Increased security awareness

Newcastle Airport undertook a full review of its Security Guide Handbook to include the changes in the Transport Security Program. Training focussed on identifying and reporting threats was conducted for all Airport staff. In addition to this, a security-focussed column was introduced in Newcastle Airport's monthly precinct newsletter.

The Airport collaborated with the Office of Transport Security to host training days for precinct staff members and response agencies.

Environmental initiatives

Newcastle Airport made a commitment to ensure its facilities and services are as environmentally friendly as viably possible. Initiatives undertaken during 2009/10 included:

- > Utilising Newcastle City Council's Financial Loss Control, Energy Water Waste Program; a 14 step mentoring program with a strategic approach to sustainability.
- > Participation in the Department of Environment & Climate Change's Sustainability Advantage Program. The first step for Newcastle Airport was to complete a self diagnostic of Newcastle Airport's environmental management systems with the objective to evaluate the existing sustainability practices, identify areas for improvement, develop practical action plans and measure progress.
- > An air conditioning systems audit determined the benchmark for future readings following an improvement in the operating hours of the air conditioning system.
- > Electricity consumption for the January to June period of 2010 indicated an 8% increase in terminal energy consumption from the same period of the previous year; this is despite a 30% increase in the terminal size compared to the same period 2009.

Proudly supporting our community

Charity of Choice

Newcastle Airport selected the Hunter Breast Cancer Foundation as its 2009/10 Charity of Choice. The Foundation is run by a volunteer board and every cent donated goes directly to supporting local women, men and their families that are affected by breast cancer.

Charity Golf Day

Following the success of Newcastle Airport's second annual Charity Golf Day, the Airport was proud to present the Hunter Breast Cancer Foundation with a \$30,000 cheque. This enabled the Foundation to fully fund the cost of the hygiene-grade material and filling for the production of its post-surgery Comfort Cushions; provided free-of-charge to more than 700 Hunter breast cancer patients each year.

Schools Program

The Newcastle Airport Schools Program was booked out in 2009/10 with 44 schools and 2,943 students taking part in the in-class presentation and unique behind-the-scenes-tour.

In May 2010 Newcastle Airport launched an education website targeted at Kindergarten to Year 2 students. The bright colours and animation of the site capture the imagination of the students while educating them about aviation.

In addition to the Primary School Program, Newcastle Airport hosted its annual free-of-charge Aviation Careers Day for Year 10, 11 and 12 students. Students were presented information about the variety of jobs and careers available in the aviation and aerospace industry and were given the chance to speak one-on-one with industry experts.

Bringing live theatre to Hunter children

For the third consecutive year, Newcastle Airport was the major sponsor of Civic Theatre's Inspirations Children's Season. The Airport's support helped to bring well known performances to the Hunter for the enjoyment of local children and their families.

Surfest – 25 years young!

Newcastle Airport was proud to once again be a major sponsor, and the gateway airport, for Australia's largest surfing festival, Surfest, which celebrated its 25 year anniversary. More than 750 surfers from 19 countries competed during the 13-day festival in March 2010.

Grassroots support

In addition to its major sponsorships, Newcastle Airport proudly supported its local community at a grassroots level, assisting local sporting and community groups, such as the Tilligerry Art, Craft and Quilting Show and Mallabula Junior Rugby League Football Club, with much needed funding.



Arrivals



Gateway to our region

Enticing Melbourne's Generation Y to Newcastle

As the gateway to Newcastle, the Airport proudly joined forces with Newcastle Tourism and launched the Fly, Stay, Play campaign targeting Melbourne's Generation Y market. The campaign was in market April and May 2010. It successfully led to an increase of 6% in airline loads on the Newcastle - Melbourne route.

Teaming up with Gold Coast Airport and Tourism NSW

Newcastle Airport, Gold Coast Airport and Tourism NSW cooperatively funded a campaign to market the two airports as the gateways to Hunter Valley Wine Country and Ballina/Byron and Tweed regions. This campaign strengthened consumer awareness of the airports as the gateway to these regions.

Top gongs!

- During the 2009/10 year, Newcastle Airport was presented with a number of awards in recognition of the contribution it makes to the Hunter region and to tourism:
- > At the 2009 Hunter Business Chamber Awards, the Airport was presented the 'Contribution to the Region' Award.
 - > Hunter Regional Tourism Organisation presented Newcastle Airport the Award for 'Specialised Tourism Services'.
 - > Tourism NSW presented the Airport Gold in the 'Specialised Tourism Services' category at the 2009 Tourism NSW Awards; this also made Newcastle Airport a finalist at the Qantas Australian Tourism Awards.
 - > Newcastle Airport was presented with the MAP Fastest Growing Award for 'Transport, Postal and Warehousing'.

Market research determines future aviation demand

During the year, aviation strategy and consulting firm Aspirion completed a major aviation demand market research project. The outcome of this project highlighted potential under-capacity on existing routes from as early as 2010, and included strong data regarding the viability of new destinations, such as Adelaide and Perth, for consideration by airlines. The Central Coast catchment was also identified as a key area of future growth for Newcastle Airport.

The report was adopted by the Board in late 2009 and will be used by Newcastle Airport in its discussions and business cases to the airlines as well as in future strategic and business plans.



This year's financial results exceeded expectations, particularly given the global financial crisis.

Income statement

	2010	2009
	\$	\$
Revenue from operating activities	17,783,602	16,558,044
Employee costs	3,147,134	2,608,841
Depreciation, amortisation and impairments	2,166,359	1,629,607
Marketing and consultancy	529,678	600,418
Security operations	1,561,221	1,566,947
Maintenance and cleaning	484,557	515,956
Lease and rental	578,161	583,261
Legal expenses	31,876	101,290
Directors fees	162,686	188,299
Car park operations	71,726	64,648
Electricity and water	398,091	319,397
Net gain/(loss) on disposal of assets	13,934	786,378
Airfield rescue & fire fighting levy (ARFF)	1,967,952	1,106,969
Finance costs	1,305,869	795,953
Other operating expenses	813,819	715,293
Profit before income tax	4,550,539	4,974,787
Income tax expense	-	-
Profit for the year	4,550,539	4,974,787
Other comprehensive income		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	4,550,539	4,974,787

Balance sheet

	2010	2009
	\$	\$
Current assets		
Cash and cash equivalents	8,280,716	8,809,784
Trade and other receivables	1,952,955	1,576,940
Other assets	99,817	94,129
Total current assets	10,333,488	10,480,853
Non-current assets		
Property, plant and equipment	46,120,442	42,545,791
Other assets	47,649	55,645
Total non-current assets	46,168,091	42,601,436
Total assets	56,501,579	53,082,289
Current liabilities		
Trade and other payables	2,156,678	1,696,972
Short-term provisions	208,106	180,402
Borrowings	2,746,289	2,548,679
Total current liabilities	5,111,073	4,426,053
Non-current liabilities		
Long-term provisions	98,945	51,980
Borrowings	17,568,996	19,432,230
Total non-current liabilities	17,667,941	19,484,210
Total liabilities	22,779,014	23,910,263
Net assets	33,722,565	29,172,026
Equity		
Retained earnings	33,722,565	29,172,026
Total equity	33,722,565	29,172,026



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