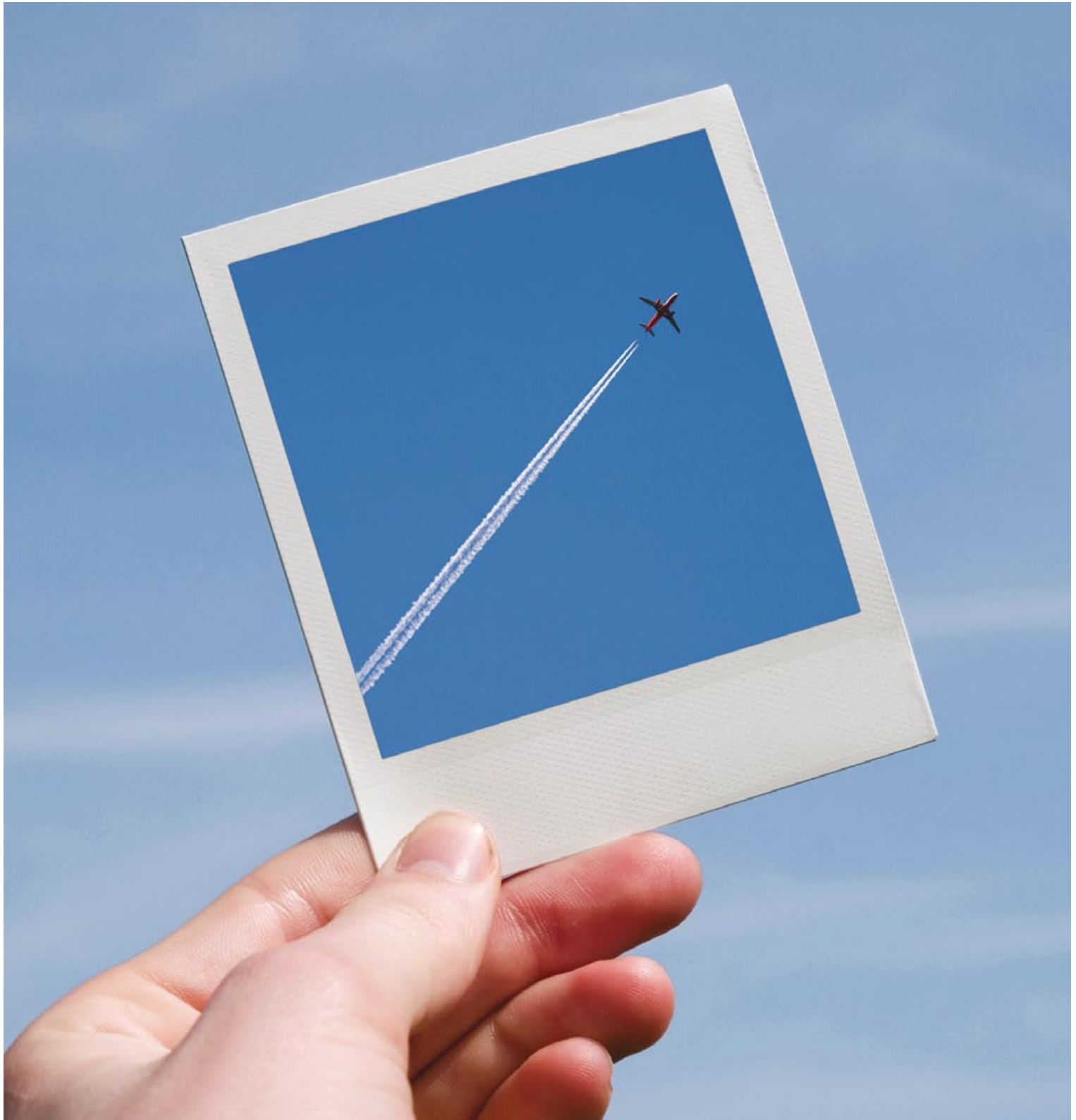


Star Performance



**Newcastle™
Airport**

Connecting People. Connecting Places.



Our vision is to be Australia's leading regional airport business

It is with pleasure that we present the 2007/08 annual report. The year was a successful one for Newcastle Airport with significant progress made towards achieving the company's corporate objectives and milestones within the Master Plan.

This year was another remarkable year of passenger growth – an amazing achievement given the recent volatility within the aviation industry, led primarily by pilot shortages and soaring fuel prices. Despite these industry set-backs, the Airport welcomed 1,005,628 passengers in the 2007 calendar year and 1,065,399 passengers in the financial year. This was the first time the 1 million passenger milestone had been achieved in both the calendar and financial years.

The Airport again had strong financial growth based on good management of costs and solid organic revenue growth.

April 2008 saw the completion of the initial steps towards achieving the Master Plan. The \$9 million capital expenditure on the construction of the Code E aircraft parking apron, officially opened by The Hon. Joel Fitzgibbon, Federal Member for Hunter and Minister for Defence, allows the Airport to handle up to five jets on the ground at any one time and provides access for larger international aircraft in the future.

Further to the apron expansion, other planned growth of the precinct included the expansion of BAE Systems, which commenced in early 2008. This, coupled with the rezoning of land adjacent to the Airport for aerospace development, has enhanced Newcastle Airport's potential as one of the major aviation hubs in the country.

Throughout the year the team worked tirelessly to ensure that Newcastle Airport met the Government's increased security requirements, particularly the introduction of the Checked Bag Screening (CBS) system. In a boost to security, the \$2 million CBS system will commence in December 2008 and will further enhance security at Newcastle Airport.

A report conducted by research company URS, commissioned by Newcastle Airport in May 2008, to determine the economic impact of the Airport on the region concluded that Newcastle Airport contributes \$465.5 million to the local economy and supports a total of 3,278 jobs. Of these figures, \$151 million and 894 jobs directly support local tourism. These figures reflect the ongoing importance the Airport has to the local economy and the thriving tourism industry.

The 2007/08 year saw further development of Newcastle Airport's Community Engagement program. Priorities for this program were, and continue to be, education, sport, and the arts, as well as activities that help local charities and groups. The Airport continued to be a major sponsor of Surfest, and for the first time was the major sponsor of the Civic Theatre Children's Season, which complemented the Newcastle Airport Schools Program. The Airport also supported numerous smaller events through cash and in-kind donations. In addition, the year also saw the launch of the Newcastle Airport Ambassador program, where a team of enthusiastic volunteers provide a warm and friendly welcome to passengers and assist with travel enquiries.

The highly successful Schools Program continued to develop throughout the year. The Airport welcomed a record 2,659 primary school students to the Airport on behind-the-scenes tours, and more than 200 high school students to the Newcastle Airport Aviation Careers Day. Newcastle Airport is proud of its commitment to the education of young people in the region and feedback from teachers and parents alike continues to be extremely positive.

We take this opportunity to thank the Department of Defence and RAAF for their ongoing support of Newcastle Airport during this period of growth.

We would also like to thank our Board for their commitment to Newcastle Airport. We would particularly like to acknowledge the contribution of Geoff Connell, who will be retiring from the Newcastle Airport Limited Board after 15 years of service.

Finally, we would like to thank our committed staff for their tireless dedication in this past year. It is through their capability and continued support that Newcastle Airport will meet the challenges of the next phase of aviation growth at Newcastle Airport.

John Kindler and Paul Hughes
Chairman and CEO

A year of breaking records



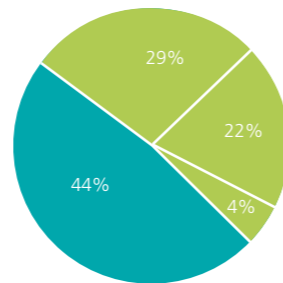
More airlines, larger aircraft, more passengers

2007/08 Highlights

- > A record financial year with 1,065,399 passenger movements.
- > In 2007, the Airport welcomed its 1 millionth passenger in a calendar year for the first time.
- > October was the Airport's busiest month with 93,380 passenger movements.
- > Launch of Australia's newest airline, Tiger Airways, at the Airport on Friday, 18 January 2008.
- > Commenced and completed expansion of aircraft parking apron to Code E status, providing access for aircraft such as the Boeing 787 or Airbus A330.
- > The Newcastle Airport Ambassador program was launched in May 2008.
- > An update of the Newcastle Airport economic impact assessment indicated that Newcastle Airport contributes \$465.5 million to the local economy, of which \$151 million directly supports tourism.
- > The Newcastle Airport schools program welcomed a record 2,659 students from 42 schools to the Airport on behind-the-scenes tours.
- > The Airport welcomed airline growth including the introduction of increased Jetstar services, new services by Aeropelican and new, larger aircraft by Brindabella Airlines.
- > The Newcastle Airport Environmental Management Strategy was formalised.

Key revenue indicators

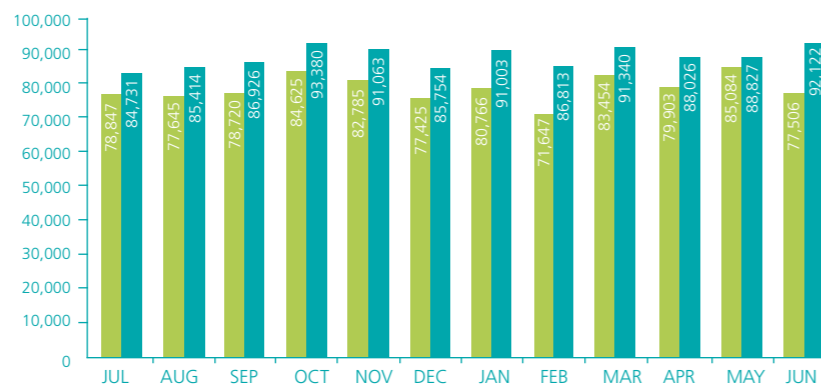
Aeronautical	44% / \$6,185,562
Car parking	29% / \$4,095,529
Property management	22% / \$3,088,755
Administration	4% / \$568,234
Total	\$13,939,080



Monthly passenger movements

Total passenger movements continued to increase in 2007/08 from the same period in 2006/07.

■ 2006/07 ■ 2007/08



The significance of Newcastle Airport to the region was further solidified through the findings of the economic impact study

Record passengers

The 2007/08 financial year was a year of breaking records. The passenger throughput for the financial year was a record 1,065,399; and on Friday, 28 December 2007 Newcastle Airport welcomed its 1 millionth passenger for the 2007 calendar year – the first time the Airport had achieved these significant milestones.

October 2007 was the busiest month on record at the Airport with 93,380 passenger movements.

Economic boon for the region

A report into the economic impact of Newcastle Airport, prepared by respected research firm URS, concluded that Newcastle Airport supports 3,278 jobs; which is 1,120 more jobs, or a 51% increase from the 2,158 jobs reported in the 2005 study.

Around 25 commercial and government-related organisations operate on the Newcastle Airport precinct, relying on both the Airport and RAAF Base to generate jobs and income. The activities are varied and include airlines, aircraft maintenance, car rental and parking, fuel services, ground handlers, cleaning, security, and RAAF related business.

The report also estimates that as a result of activity from the commercial and government-related organisations that operate on Newcastle Airport, the Airport precinct contributes a total of \$465.5 million to the economy; \$242 million more than the Airport's contribution in 2005. Of this total, Newcastle Airport's contribution to Hunter tourism is estimated to be \$151 million, up from \$124 million in 2005.

Erasing the footprint

With global warming moving to the forefront of business and consumer minds, Newcastle Airport has taken an active role to reduce its impact on the environment. The commencement of environmental sustainability audits, not only for the Airport, but for all Airport tenants, has resulted in reduced carbon output and waste from the Newcastle Airport precinct.

Initiatives that were implemented during the year included the installation of low-flu urinals throughout the terminal, which is estimated to save 10,000 litres of water annually and the implementation of an extensive recycling and waste reduction strategy, which has been implemented by all tenants within the terminal building.

Successful partnerships with our community and airline partners



Newcastle Airport is proud to work closely, and engage, with tourism, schools and community groups

Treasure-trove of tourism

Newcastle Airport continued to promote the region to its two key interstate markets, south-east Queensland and Victoria. The Airport proudly partnered with Virgin Blue and Tourism NSW in October, and Jetstar and Tourism NSW in April, to promote the region to residents of south-east Queensland and Victoria. The Airport also partnered with Tiger Airways and hosted a Port Stephens promotional stand at the Melbourne Travel Expo. Planning also started on an extensive campaign on the Gold Coast for August 2008 with partners Virgin Blue and Gold Coast Airport.

Newcastle Airport was applauded for its significant contribution to Hunter tourism at the 2007 Tourism New South Wales Awards by being named a finalist in the Specialised Tourism Services category.

Stellar corporate citizen

Newcastle Airport's Community Engagement program continued to assist the Airport's local community. Throughout the year the Airport supported numerous activities in sport, business and the arts. It was a major sponsor of Surfest, Hunter Valley Research Foundation, and Civic Theatre Children's Season. The Airport also sponsored smaller events and groups such as South's Newcastle Rugby League Football Club, the Port Stephens Sports Star Awards and the Tilligerry Art Show.

Hands-on education

Since the inception of the Newcastle Airport Schools Program in 2005, the program has continued to grow year-on-year. Starting with visits from 27 schools in 2005/06, this year the Airport welcomed 2,659 kindergarten, year one and two students from 42 schools to an interactive, behind-the-scenes tour of the Airport.

In addition to the Schools Program, the Airport hosted more than 200 year 11 and 12 students at the Newcastle Airport Aviation Careers Day. Students heard from, and attended hands-on sessions with Jetstar Engineering, BAE Systems, Newcastle Helicopters, Defence Recruiting and Aeropelican.

Help is at hand

The Newcastle Airport Ambassador program was launched in May 2008 with the support of the Hunter Volunteer Centre. The team of 20 Ambassadors, who are easily identified by their distinctive teal blazer, offer a warm and welcoming atmosphere to passengers and provide information to waiting family and friends. The team ensures that Newcastle Airport continues to provide exceptional customer service and enhance the total travel experience during a time of growth at the Airport.

Empowering our people

Staff at Newcastle Airport are given many and varied opportunities to contribute to, and grow with, the organisation. In April 2008 Newcastle Airport conducted a staff survey and facilitated workshops to provide staff the opportunity to share thoughts relating to career development, ensuring the Airport continues to be an employer of choice.

The continued development of airline partnerships has provided greater air access to and from Newcastle

Tiger Airways pounces on Newcastle

Low cost airline, Tiger Airways chose Newcastle Airport as its only NSW destination in late 2007 and commenced daily operations to Melbourne on 18 January 2008. The inaugural flight was met by NSW Treasurer and Minister for Hunter, The Hon. Michael Costa, together with local politicians and dignitaries.

Newcastle Airport worked with government and local tourism bodies to attract the airline to the region, which added 2,500 seats to the Newcastle-Melbourne service each week. The travelling public benefited from the launch as it fuelled competition amongst the airlines.

Jetstar ups the ante

Jetstar provided travellers with more access to direct flights from Newcastle to Brisbane, the Gold Coast and Melbourne in June when it increased its services by 50% to 54 weekly return services. The extra flights equate to 6,200 additional seats each week and further fostered the growth of Jetstar's national aircraft maintenance base, located at Newcastle Airport.

Growth not confined to the jets

Regional airlines Aeropelican and Brindabella Airlines both enjoyed success during the year. Aeropelican increased its fleet size to three J32 aircraft and introduced a new three-times-a-week service to Tamworth. Meanwhile, Brindabella Airlines introduced the 30-seat J41 aircraft into its fleet, replacing the 19-seat Metro 23.



A focus on security



Through substantial infrastructure developments, Newcastle Airport continues to be a regional airport leader

Aircraft parking made easy

One of the major achievements for the Airport during the year was the construction of a Code E (such as Boeing 787 or Airbus A330) aircraft parking apron. The six-month, \$9 million project was delivered on schedule and to budget.

The expansion more than doubled the Airport's capacity to handle jet aircraft, such as those used by Jetstar and Virgin Blue, to five, and provides the Airport with the opportunity to handle larger international aircraft such as a Boeing 787.

The aircraft parking apron was officially opened by The Hon. Joel Fitzgibbon, Federal Minister for Hunter and Minister for Defence on Monday 7 April, where the first aircraft to use the apron was a military chartered Antonov, the second largest aircraft in the world.

As part of this project, Taxiway Juliet was also upgraded to Code E standard and the taxiway lights were upgraded to conform to the RAAF standard.

The apron complies with government environmental legislation; its flame trap is capable of holding fuel spills from the largest aircraft, and an eco-separator automatically detects hydro-carbon spills and shuts valves to prevent contamination of the aquifer that is underneath Newcastle Airport and RAAF Base, Williamtown. The eco-separator system is solar powered, reducing Newcastle Airport's carbon footprint.

Checked bag screening

Throughout the year Newcastle Airport successfully tendered the supply and installation of a checked bag screening system. The system will include explosive detection capable x-ray machines and baggage handling equipment to service the x-ray machines. The installation of the checked bag screening system is part of the new government security legislation which comes into effect on 1 December 2008.

Greater airfield responsibility

The relationship between Newcastle Airport, RAAF Base, Williamtown and Department of Defence was further solidified this year with RAAF providing delegation to Newcastle Airport for the process of approving itinerant aircraft.

Newcastle Airport and RAAF Base, Williamtown also established a protocol that allows Newcastle Airport to perform runway visibility assessments during periods of fog. This process improves aviation safety, and because Newcastle Airport is performing the assessments, allows aircraft to depart earlier than they would normally have been able to, thus contributing to airline on-time performance.

Membership of key industry groups ensures that Newcastle Airport has a voice during government consultations

Membership of Regional Industry Consultative Meeting and Aviation Security Advisory Forum

The Regional Industry Consultative Meeting (RICM) is an event organised and conducted by the Office of Transport Security (OTS) to inform and consult with the regional aviation industry of proposed regulatory changes to the aviation security regime. Newcastle Airport is a regular attendee and contributor at RICM meetings and as a result was invited to represent RICM members at the Aviation Security Advisory Forum meeting held in June. The forum is attended by major Australian airports that conform to the highest security requirements and Newcastle Airport is proud to be amongst this group.

Aviation Security Training Advisory Group (ASTAG)

Newcastle Airport continued its regional airport representation role on the Aviation Security Training Advisory Group (ASTAG), which assisted to develop a new aviation security program. The ASTAG objective is to design a competency based, structured, training program that meets the needs of all airports, from small rural airports to the major capital city airports. Newcastle Airport represented regional interests in the design of the program to ensure regional relevance in the competency standards as well as the learning and assessment tools.

Management in demand to speak at aviation conferences

In the 2007/08 year management of Newcastle Airport was actively sought by organisers to attend and speak at aviation industry related conferences, both in Australia and internationally. Organisers recognised the knowledge and experience of the Airport's management team and used Newcastle Airport as a case study into how a regional airport can become a significant economic driver. Conference delegates were enthusiastic to hear from Australia's leading regional airport on topics and issues such as the changing landscape of aviation security at regional airports, developing a management strategy for a low cost airport in the Asia Pacific region and attracting low cost airlines.

This year, Newcastle Airport recorded a net profit of \$6 million compared with \$3.55 million in 2006/07; representing a 69% increase in profit

	2008 \$	2007 \$
Revenue from operating activities	13,938,080	11,425,267
Expenses from ordinary activities:		
Depreciation	1,231,648	1,252,988
Personnel and related costs	2,086,715	2,123,699
Borrowing costs expense	713,229	728,346
Marketing and consultancy	430,371	635,842
Security operations	1,070,733	915,422
Maintenance	616,931	542,184
Lease and rental	642,061	485,989
Carrying amount of non-current assets sold	4,411	109,762
Legal expenses	58,272	118,463
Directors fees	108,276	110,145
Car park operations	68,664	163,514
Electricity and water	248,473	217,529
Other expenses from ordinary activities	654,020	475,983
Profit from ordinary activities before income tax expense	6,004,276	3,545,401
Income tax expense	-	-
Profit from ordinary activities after related income tax expense	6,004,276	3,545,401
Net profit and total changes in equity other than those resulting from transactions with owners as owners	6,004,276	3,545,401

The completion of a \$9 million aircraft parking apron expansion will provide opportunity for Newcastle Airport's continued growth and success

	2008 \$	2007 \$
Current assets		
Cash	4,792,329	7,250,980
Receivables	1,333,646	927,520
Other	92,341	76,231
Total current assets	6,218,316	8,254,731
Non-current assets		
Property, plant and equipment	29,106,410	21,531,107
Total non-current assets	29,106,410	21,531,107
Total assets	35,324,726	29,785,838
Current liabilities		
Payables	1,594,240	1,059,629
Provisions	147,942	122,207
Interest-bearing liabilities	1,119,724	1,041,407
Total current liabilities	2,861,906	2,223,243
Non-current liabilities		
Provisions	31,463	16,916
Interest-bearing liabilities	8,234,118	9,352,716
Total non-current liabilities	8,265,581	9,369,632
Total liabilities	11,127,487	11,592,875
Net assets	24,197,239	18,192,963
Equity		
Retained profits	24,197,239	18,192,963
Total equity	24,197,239	18,192,963



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