AUCKLAND INTERNATIONAL AIRPORT LIMITED

IDENTIFIED AIRPORT ACTIVITIES

DISCLOSURE FINANCIAL STATEMENTS

Pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999

FOR THE YEAR ENDED

30 JUNE 2009

Auckland International Airport Limited
Identified Airport Activities

Income statement

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $000	2008 $000
Operating revenue			
Airfield income		70,458	70,129
Passenger services charge		66,542	66,952
Terminal services charge		27,470	22,897
Rental income		24,362	21,471
Interest income		1,542	364
Other revenue		4,957	3,578
Total operating revenue		195,331	185,391
Operating expenses			
Staff	4	26,777	19,604
Repairs and maintenance		22,622	20,460
Rates and insurance		3,660	4,008
Other		11,043	10,273
Total operating expenses		64,102	54,345
Operating earnings before interest, taxation and depreciation (Operating EBITDA)		131,229	131,046
Costs relating to ownership proposals		-	6,553
Total earnings before interest, taxation and depreciation (Total EBITDA)		131,229	124,493
Depreciation	8	42,181	37,133
Earnings before interest and taxation (EBIT)		89,048	87,360
Interest expense and other finance costs	4	32,250	27,322
Profit before taxation		56,798	60,038
Taxation expense	5	18,537	19,139
Profit after taxation		38,261	40,899
		Cents	**Cents**
Earnings per share:			
Basic and diluted earnings per share	7	3.12	3.35

The notes and accounting policies on pages 6 to 46 form part of and are to be read in conjunction with these disclosure financial statements.

Auckland International Airport Limited
Identified Airport Activities

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $000	2008 $000
Movement in cash flow hedge reserve:			
Gain/(loss) taken to equity	12	(13,375)	(985)
Transferred to income statement	12	(2,514)	(2,191)
Movement in property, plant and equipment revaluation reserve due to allocation changes	12	2,328	5,156
Movement in deferred tax taken directly to equity	12	4,017	(1,500)
Net income recognised directly in equity		(9,544)	480
Profit after taxation		38,261	40,899
Total recognised income and expense		28,717	41,379
Increase in issued and paid-up capital	11	3,445	824
Ordinary dividends paid	12	(27,320)	(42,983)
Movement in share-based payment reserve	12	-	27
Changes in equity for the period		4,842	(753)
Equity at beginning of period		803,354	804,107
Equity at end of period		808,196	803,354

The notes and accounting policies on pages 6 to 46 form part of and are to be read in conjunction with these disclosure financial statements.

Auckland International Airport Limited
Identified Airport Activities

Balance sheet

AS AT 30 JUNE 2009

	Notes	2009 $000	2008 $000
Non-current assets			
Property, plant and equipment	8	1,346,134	1,312,725
Derivative financial instruments	15	2,360	2,895
Other non-current assets		544	530
		1,349,038	1,316,150
Current assets			
Cash	9	14,744	159
Inventories		79	108
Prepayments		1,699	1,944
Accounts receivable	10	14,466	11,920
Taxation receivable		2,850	5,163
Derivative financial instruments	15	744	121
		34,582	19,415
Total assets		1,383,620	1,335,565
Shareholders' equity			
Issued and paid-up capital	11	201,851	198,406
Retained earnings	12	(27,743)	(39,734)
Property, plant and equipment revaluation reserve	12	643,334	642,252
Share-based payments reserve	12	763	763
Cash flow hedge reserve	12	(10,009)	1,667
		808,196	803,354
Non-current liabilities			
Term borrowings	14	369,903	320,764
Derivative financial instruments	15	12,954	1,556
Deferred tax liability	5	64,937	67,531
		447,794	389,851
Current liabilities			
Accounts payable and accruals	13	24,787	27,471
Short-term borrowings	14	99,117	111,414
Provisions for noise mitigation	21	1,505	3,165
Derivative financial Instruments	15	2,221	310
		127,630	142,360
Total equity and liabilities		1,383,620	1,335,565

These disclosure financial statements have been prepared for the purposes of, and in accordance with the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 and were approved and adopted by the board on 25 November 2009.

Signed on behalf of the board by:

Anthony Frankham
Director, chairman of the board

Joan Withers
Director, chair of the audit and risk committee

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Auckland International Airport Limited
Identified Airport Activities

Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $000	2008 $000
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		191,961	179,907
Income tax refunded		4,922	-
Interest received		1,542	364
		198,425	180,271
Cash was applied to:			
Payments to suppliers and employees		(65,673)	(65,228)
Income tax paid		(19,724)	(17,462)
Other taxes paid		(240)	(223)
Interest paid		(31,853)	(27,206)
		(117,490)	(110,119)
Net cash flow from operating activities	16	80,935	70,152
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of assets		85	45
		85	45
Cash was applied to:			
Purchase of property, plant and equipment		(53,900)	(94,722)
Interest paid – capitalised		(2,914)	(4,961)
		(56,814)	(99,683)
Net cash applied to investing activities		(56,729)	(99,638)
Cash flow from financing activities			
Cash was provided from:			
Increase in share capital	11	3,141	824
Increase in borrowings		1,739,045	2,107,711
		1,742,186	2,108,535
Cash was applied to:			
Decrease in borrowings		(1,724,487)	(2,036,260)
Dividends paid	12	(27,320)	(42,983)
		(1,751,807)	(2,079,243)
Net cash flow applied to financing activities		(9,621)	29,292
Net increase/(decrease) in cash held		14,585	(194)
Opening cash brought forward		159	353
Ending cash carried forward	9	14,744	159

The notes and accounting policies on pages 6 to 46 form part of and are to be read in conjunction with these disclosure financial statements.

Auckland International Airport Limited
Identified Airport Activities

Notes and accounting policies

For the year ended 30 June 2009

1. Corporate information

The disclosure financial statements are for the Auckland International Airport Limited Identified Airport Activities.

Auckland International Airport Limited (the "company" or "Auckland Airport") is a company established under the Auckland Airport Act 1987 and was incorporated on 20 January 1988 under the Companies Act 1955. The original assets of Auckland International Airport were vested in the company on 1 April 1988 and 13 November 1988 by an Order in Council of the New Zealand Government. The company commenced trading on 1 April 1988. The company was re-registered under the Companies Act 1993 on 6 June 1997. The company is an issuer for the purposes of the Financial Reporting Act 1993.

Auckland Airport provides airport facilities and supporting infrastructure in Auckland, New Zealand. The company earns revenue from aeronautical activities and other charges and rents associated with operating an airport.

2. Summary of significant accounting policies

(a) Basis of preparation

The disclosure financial statements are presented in accordance with the Airport Authorities Act 1966 as amended by the Airport Authorities Amendment Act 1997, and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 ("Regulations").

Identified Airport Activities are defined as follows:

Airfield activities
Airfield activities mean the activities undertaken (including the facilities and services provided) to enable the landing and take-off of aircraft; and includes:

(a) The provision of any one or more of the following:

- (i) Airfields, runways, taxiways, and parking aprons for aircraft
- (ii) Facilities and services for air traffic and parking apron control
- (iii) Airfield and associated lighting
- (iv) Services to maintain and repair airfields, runways, taxiways, and parking aprons for aircraft
- (v) Rescue, fire, safety and environmental hazard control services
- (vi) Airfield supervisory and security services.

(b) The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime).

Aircraft and freight activities
Aircraft and freight activities mean the activities undertaken (including the facilities and services provided) to enable, within a security area or areas of the relevant airport, the servicing and maintenance of aircraft and the handling of freight transported, or to be transported, by aircraft; and includes:

(a) The provision within a security area or areas of the relevant airport, of any one or more of the following:

(i) Hangars

(ii) Facilities and services for the refuelling of aircraft, flight catering, and waste disposal

(iii) Facilities and services for the storing of freight

(iv) Security, customs, and quarantine services for freight.

(b) The holding of any facilities and assets (including land) acquired or held to provide aircraft and freight activities in the future (whether or not used for any other purpose in the meantime).

Specified passenger terminal activities
Specified passenger terminal activities mean the activities undertaken (including the facilities and services provided) in relation to aircraft passengers while those passengers are in a security area or areas of the relevant airport; and includes:

(a) The provision, within a security area or security areas of the relevant airport, of any one or more of the following:

(i) Passenger seating areas, thoroughfares and airbridges

(ii) Flight information and public address systems

(iii) Facilities and services for the operation of customs, immigration and quarantine checks and controls

(iv) Facilities for the collection of duty-free items

(v) Facilities and services for the operation of security and Police services.

(b) Any activities undertaken (including the facilities and services provided) in a passenger terminal to enable the check-in of aircraft passengers, including services of baggage handling.

(c) The holding of any facilities and assets (including land) acquired or held to provide specified passenger terminal activities in the future (whether or not used for any other purpose in the meantime; but does not include the provision of any space for retail activities).

Each segment also includes an allocation of supporting infrastructure.

Also included in each of the above Identified Airport Activities are assets specifically held for use in that activity.

The numbers presented in these financial statements are for the Identified Airport Activities unless it is stated they are for the full company.

The financial statements have also been prepared on a historical cost basis, except for land, buildings, runway, taxiways and aprons, infrastructural assets and derivative financial instruments, which have been measured at fair value.

The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and would otherwise be carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

These financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise indicated.

Notes and accounting policies

For the year ended 30 June 2009

(b) Statement of compliance

These disclosure financial statements are presented in accordance with the Airport Authorities Act 1966 as amended by the Airport Authorities Amendment Act 1997 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (“Regulations”).

The disclosure financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and International Financial Reporting Standards, as appropriate for profit-oriented entities, except in so far as the Regulations require reporting solely on the activities of the company comprising Identified Airport Activities.

New or revised Standards and Interpretations that have been approved but are not yet effective have not been adopted by the company for the annual reporting period ended 30 June 2009. The adoption of these Standards and Interpretations is not expected to have a material recognition or measurement impact on the company’s financial statements.

(c) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments. The company does report identified activities as required under Airport Authorities Act but these do not meet the business segment test.

(d) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Auckland International Airport Limited is New Zealand dollars ($).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Exchange rate differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition are recognised in the income statement in the period in which they arise.

(e) Cash

Cash in the balance sheet comprises cash on hand, on-call deposits held with banks and short-term highly liquid investments.

For the purposes of the cash flow statement, cash consists of cash as defined above, net of outstanding bank overdrafts.

(f) Cash flow statement

The following explains the terms used in the cash flow statement:

Operating activities are the principal revenue-producing activities of the company and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents that have been made to generate future cash flows.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Notes and accounting policies

For the year ended 30 June 2009

(g) Accounts receivable

Accounts receivable are recognised and carried at the original invoice amount less an allowance for impairment for any uncollectible amounts.

An estimate of impairment for uncollectible amounts is made where there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

(h) Derivative financial instruments and hedging

The company uses derivative financial instruments such as interest rate swaps and forward rate agreements to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the income statement for the year.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the company wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows. Hedges are assessed at the inception of the transaction and on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are currently applied to fixed-coupon debt where the fair value of the debt changes through changes in market interest rates. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged. The hedging instrument is also remeasured to fair value. Gains and losses from both are taken to the income statement.

The company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the company revokes the designation. The adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised over the period to maturity.

Notes and accounting policies

For the year ended 30 June 2009

Cash flow hedges
Cash flow hedges are currently applied to future interest cash flows on variable rate bank loans and commercial paper. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(i) Investments and other financial assets
Financial assets are currently classified as either financial assets at fair value through profit or loss or loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The company determines the classification of its financial assets on initial recognition and, when appropriate, re-evaluates this designation at each balance date.

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables
Loans and receivables, including trade receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(j) Property, plant and equipment
Properties held for use in the supply of goods and services, for administrative purposes or for rental to others for airport operation purposes are classified as property, plant and equipment.

Property, plant and equipment are initially recognised at cost. The cost of property, plant and equipment includes all costs directly attributable to bringing the item to working condition for its intended use.

Expenditure on an asset will be recognised as an asset if it is probable that future economic benefits will flow to the entity, and if the cost of the asset can be measured reliably. This principle applies for both initial and subsequent expenditure.

Vehicles, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Land, buildings and services, runway, taxiways and aprons and infrastructural assets are carried at fair value, as determined by an independent registered valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation. Land, buildings and services, runway, taxiways and aprons and infrastructural assets acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value. Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

Revaluations
Revaluation increments are recognised in the property, plant and equipment revaluation reserve, except to the extent that they reverse a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement.

Notes and accounting policies

For the year ended 30 June 2009

Revaluation decreases are recognised in the income statement, except to the extent that they offset a previous revaluation increase for the same asset, in which case the decrease is recognised directly in the property, plant and equipment revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

Depreciation
Depreciation is calculated systematically on a straight-line basis to allocate the cost or revalued amount of an asset, less any residual value, over its estimated useful life.

The estimated useful lives of property, plant and equipment are as follows:

Land (including reclaimed land)	Indefinite
Buildings and services	5 - 65 years
Infrastructural assets	5 - 80 years
Runway, taxiways and aprons	12 - 40 years
Vehicles, plant and equipment	3 - 10 years

Disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Gains or losses arising on derecognition of an asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the income statement in the year the asset is derecognised.

(k) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in which the company is the lessor and retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are recognised as an asset and recognised as an expense over the lease term on the same basis as rental income. Rental income is recognised as revenue on a straight-line basis over the lease term.

(l) Impairment of non-financial assets
Property, plant and equipment are assessed for indicators of impairment at each reporting date. They are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets for which an impairment has previously been recorded are tested for possible reversal of the impairment when events or changes in circumstances indicate that the impairment may have reversed.

(m) Loans and borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(n) Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

(o) Provisions
Provisions are recognised when the company has a present legal or constructive obligation, as a result of a past event, that will probably require an outflow of resources to settle the obligation and the amount can be reliably estimated.

Provision for noise mitigation
Approval for a second runway, granted under the Manukau District Plan in 2001, included a number of obligations on the company to mitigate the impact of aircraft noise on the local community. The company is required to offer acoustic treatment to certain houses and schools when predicted noise levels in the next twelve months are at defined levels. The company has an obligation to fund the acoustic treatment of homes and schools when the offer of acoustic treatment is accepted. On acceptance of offers the company records a provision for the estimated cost of fulfilling the obligation. The amount of the provision will change depending on the number of offers accepted, a revision in the estimate of the cost of offers, and when the obligation is funded. As directly attributable costs of the second runway, the costs are capitalised to the extent that they are not recoverable from other parties.

(p) Employee benefits
Liabilities for salaries and wages, annual leave, long-service leave and sick leave are accrued when earned by employees at rates expected to be incurred when the benefit is utilised.

Provisions for accumulating long-service leave and sick leave entitlements that are expected to be paid in future periods, but have not yet vested, are recognised reflecting the probability that benefits will vest.

The company makes contributions to a defined contribution superannuation scheme. The company has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay employee benefits.

(q) Share-based payments
The company provides benefits to executives and employees of the company in the form of share-based payment transactions, whereby executives and employees render services in exchange for shares or rights over shares (‘equity-settled transactions’) and cash settlements based on the price of the company’s shares (‘cash-settled transactions’).

Equity-settled transactions
The cost of these equity-settled transactions with employees (for awards granted after 7 November 2002 that were not vested at 1 July 2006) is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity-settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled and ends on the date on which the relevant employees become fully entitled to the award.

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the amortised portion of the fair value of the equity instrument adjusted for the estimate of the likelihood of the award vesting.

Cash-settled transactions
The cost of cash-settled transactions with employees is spread over the vesting period to recognise services received. The fair value of cash-settled transactions is determined at each reporting date and the change in fair

value is recognised in the income statement. The fair value takes into account the terms and conditions on which the award was granted, and the extent to which employees have rendered services to date.

(r) Revenue recognition
Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Rendering of services
Airfield income, the passenger services charge and the terminal service charge are recognised as revenue when the airport facilities are used.

Rental income is recognised as revenue on a straight-line basis over the lease term of the leases.

Interest income
Interest income is recognised as interest accrues using the effective interest method.

Dividends
Dividends are recognised when the company's right to receive payment is established.

(s) Income tax and other taxes
Income tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and services tax
Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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 is classified as part of operating activities.

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

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the company reacquires its own shares, those treasury shares are deducted from equity and no gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of those shares. Any consideration or transactions costs paid or received is recognised directly in equity.

(u) Earnings per share

Basic earnings per share is calculated as net profit of the Identified Airport Activities attributable to equity holders of the company, divided by the weighted average number of ordinary shares during the reporting period, adjusted for any bonus elements in ordinary shares issued.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares during the reporting period assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3. Significant accounting judgements, estimates and assumptions

In producing the financial statements the company makes judgements, estimates and assumptions based on known facts, at a point in time. These accounting judgements, estimates and assumptions will rarely exactly match the actual outcome. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

(a) Carrying value of property, plant and equipment

The company records land, buildings, runway, taxiways and aprons and infrastructural assets at fair value. Land, buildings, runway, taxiways and aprons and infrastructural assets acquired or constructed after the date of the last revaluation are carried at cost, which approximates fair value. Revaluations are carried out, by independent valuers, with sufficient regularity to ensure that the carrying amount does not differ from the fair value at balance date. Accounting judgement is required to determine whether the fair value of land, buildings, runway, taxiways and aprons and infrastructural assets has changed materially from the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to the revaluation will result in changes to the fair value of property, plant and equipment. The carrying value of property, plant and equipment and the valuation methodologies used at the last revaluation are disclosed in note 8.

(b) Allocation methodologies

The disclosure financial statements are for the company's Identified Airport Activities. In order to report the financial results of the Identified Airport Activities, the company performs allocations on shared expenditure, assets, debt and equity movements. The allocation rules used require the use of judgement and assumptions to determine the values recorded in the disclosure financial statements. Changes to assumptions will result in changes to the disclosure financial statements. The allocation methodologies used in the disclosure financial statements are summarised in note 2 of the additional information required by the disclosure regulations.

Auckland International Airport Limited
Identified Airport Activities

Notes and accounting policies

For the year ended 30 June 2009

4. Expenses

	2009 $000	2008 $000
Staff expenses comprise:		
Salaries and wages	19,050	17,150
Other employee benefits	1,576	2,502
Share-based payment (refer note 23)	296	(3,223)
Defined contribution superannuation	518	546
Restructuring costs	3,319	-
Other staff costs	2,018	2,629
	26,777	19,604
Other expenses include:		
Audit fees	133	109
Auditor's other attestation fees	55	112
Auditor’s tax compliance fees	80	126
Directors' fees	529	555
Donations	4	7
Bad and doubtful debts written off	-	-
Doubtful debts - change in provision	(95)	246
Loss on disposal of property, plant and equipment	877	222
Finance costs comprise:		
Interest on borrowings	35,164	32,283
Interest capitalised	(2,914)	(4,961)
	32,250	27,322
Capitalisation rate for capitalised borrowing costs	7.52%	8.18%

5. Taxation

	2009 $000	2008 $000
(a) Income tax		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	18,601	18,595
Income tax over provided in prior year	(1,487)	(601)
Deferred income tax		
Movement in deferred tax	1,423	1,218
Reduction in corporate tax rate	-	(73)
Taxation expense reported in the income statement	18,537	19,139
(b) Deferred taxation taken directly to equity		
Tax effect of movements in the property, plant and equipment revaluation reserve	(196)	(1,621)
Tax effect of movements in the cash flow hedge reserve	4,213	-
Reduction in corporate tax rate	-	121
Deferred tax credit reported in equity	4,017	(1,500)

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For the year ended 30 June 2009

	2009 $000	2008 $000
(c) Reconciliation between prima facie taxation and tax expense		
Profit before taxation	56,798	60,038
Prima facie taxation at 30% (2008: 33%)	17,039	19,812
Adjustments:		
Income tax over provided in prior year	(1,487)	(601)
Reduction in corporate tax rate	-	(73)
Prior year deferred tax movements in relation to property, plant and equipment	2,985	-
Other	-	1
Taxation expense reported in the income statement	18,537	19,139

(d) Deferred tax assets and liabilities

	Balance 1 July 2008 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2009 $000
Deferred tax liabilities				
Property, plant and equipment	68,613	2,033	196	70,842
Other	234	(174)	-	60
Deferred tax liabilities	68,847	1,859	196	70,902
Deferred tax assets				
Cash flow hedge	-	-	4,213	4,213
Provisions and accruals	1,316	436	-	1,752
Deferred tax assets	1,316	436	4,213	5,965
Net deferred tax liability	**67,531**	**1,423**	**(4,017)**	**64,937**

	Balance 1 July 2007 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2008 $000
Deferred tax liabilities				
Property, plant and equipment	68,099	(986)	1,500	68,613
Other	271	(37)	-	234
Deferred tax liabilities	68,370	(1,023)	1,500	68,847
Deferred tax assets				
Provisions and accruals	3,488	(2,172)	-	1,316
Deferred tax assets	3,488	(2,172)	-	1,316
Net deferred tax liability	**64,882**	**1,149**	**1,500**	**67,531**

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For the year ended 30 June 2009

(e) Imputation credits

	2009 $000	2008 $000
Balance at beginning of year	10,686	15,730
Income tax paid	17,605	13,916
Credits attached to dividends paid	(13,170)	(18,960)
Income tax refunded	(4,922)	-
Balance at end of year	**10,199**	**10,686**

6. Distribution to shareholders

	Dividend payment date	2009 $000	2008 $000
2007 final dividend of 4.45 cps	19 October 2007	-	54,368
2008 interim dividend of 5.75 cps	12 March 2008	-	70,278
2008 final dividend of 2.45 cps	24 October 2008	29,990	-
2009 interim dividend of 3.75 cps	27 March 2009	45,936	-
Total dividends paid		75,926	124,646
Less: amounts attributed to Non Identified Airport Activities		(48,606)	(81,663)
Dividends attributed to Identified Airport Activities		**27,320**	**42,983**

Supplementary dividends of $2.805 million (2008: $6.054 million) are not included in the above dividends as the company receives an equivalent tax credit from the Inland Revenue Department.

On 28 August 2009, the directors approved the payment of a 2009 fully imputed final dividend of 4.45 cents per share (2008: 2.45 cents per share) that was paid on 23 October 2009. A portion of this final dividend will be attributed to Identified Airport Activities in the 2010 reporting period.

The interim and final dividends relating to the 2009 financial year total 8.20 cents per share. The total of 8.20 cents per share is the same as the interim and final dividends relating to the 2008 financial year.

7. Earnings per share

The earnings used in calculating basic and diluted earnings per share is $38.261 million (2008: $40.899 million).

The weighted average number of shares of the full company used to calculate basic and diluted earnings per share is as follows:

	2009 Shares	2008 Shares
For basic earnings per share	1,224,376,880	1,222,070,112
Effect of dilution of share options	182,892	637,847
For dilutive earnings per share	1,224,559,772	1,222,707,959

Options granted to executives as described in note 23 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

Auckland International Airport Limited
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8. Property, plant and equipment

(a) Reconciliation of carrying amounts at the beginning and end of the period

Year ended 30June 2009	**Land $000**	**Buildings and services $000**	**Infra-structure $000**	**Runway, taxiways and aprons $000**	**Vehicles, plant and equipment $000**	**Total $000**
Balances as at 1 July 2008						
At fair value	561,699	390,335	106,256	259,423	-	1,317,713
At cost	-	-	-	-	35,000	35,000
Work in progress at cost	-	28,745	7,187	13,177	1,913	51,022
Accumulated depreciation	-	(35,402)	(8,942)	(20,647)	(26,019)	(91,010)
Balances as at 1 July 2008	**561,699**	**383,678**	**104,501**	**251,953**	**10,894**	**1,312,725**
Additions	2,681	22,818	6,430	16,711	5,261	53,901
Disposals	-	-	(148)	(62)	(54)	(264)
Reclassifications due to allocation changes	916	11,689	9,590	-	(242)	21,953
Depreciation	-	(21,958)	(5,318)	(10,814)	(4,091)	(42,181)
Movement to 30 June 2009	**3,597**	**12,549**	**10,554**	**5,835**	**874**	**33,409**
Balances as at 30 June 2009						
At fair value	565,296	443,910	128,186	265,122	-	1,402,514
At cost	-	-	-	-	40,971	40,971
Work in progress at cost	-	7,497	217	24,007	1,467	33,188
Accumulated depreciation	-	(55,180)	(13,348)	(31,341)	(30,670)	(130,539)
Balances as at 30 June 2009	**565,296**	**396,227**	**115,055**	**257,788**	**11,768**	**1,346,134**

Year ended 30 June 2008	**Land $000**	**Buildings and services $000**	**Infra-structure $000**	**Runway, taxiways and aprons $000**	**Vehicles, plant and equipment $000**	**Total $000**
Balances as at 1 July 2007						
At fair value	560,518	290,974	107,386	256,189	-	1,215,067
At cost	-	-	-	-	44,743	44,743
Work in progress at cost	-	50,225	1,848	6,729	2,507	61,309
Accumulated depreciation	-	(15,800)	(4,219)	(10,271)	(37,882)	(68,172)
Balances as at 1 July 2007	**560,518**	**325,399**	**105,015**	**252,647**	**9,368**	**1,252,947**
Additions	2,674	80,697	9,642	9,819	4,079	106,911
Disposals	-	-	(34)	(97)	(21)	(152)
Reclassifications due to allocation changes	(1,493)	(3,308)	(5,526)	-	479	(9,848)
Depreciation	-	(19,110)	(4,596)	(10,416)	(3,011)	(37,133)
Movement to 30 June 2008	**1,181**	**58,279**	**(514)**	**(694)**	**1,526**	**59,778**
Balances as at 30 June 2008						
At fair value	561,699	390,335	106,256	259,423	-	1,317,713
At cost	-	-	-	-	35,000	35,000
Work in progress at cost	-	28,745	7,187	13,177	1,913	51,022
Accumulated depreciation	-	(35,402)	(8,942)	(20,647)	(26,019)	(91,010)
Balances as at 30 June 2008	**561,699**	**383,678**	**104,501**	**251,953**	**10,894**	**1,312,725**

Additions for the year ended 30 June 2009 include capitalised interest of $2,914 million (2008: $4,961 million).

(b) Revaluation of land, buildings and services, infrastructure, runway, taxiways and aprons

Land and commercial properties were independently valued by Seagar & Partners (Auckland) Limited, registered valuers, as at 30 June 2006 to fair value. Reclaimed land, seawalls, specialised buildings, infrastructure, and site improvements on commercial properties were independently valued by Opus International Consultants Limited, a multi-disciplinary engineering consultancy company, as at 30 June 2006 to fair value.

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value.

To arrive at fair value the valuers used different approaches for different asset groups. The following table summarises the valuation approach:

Asset classification and description	Valuation approach	Valuer
Land		
Airfield land, including land for runway, taxiways, aprons and approaches	Direct sales comparison plus development and holding costs to achieve land suitable for airport use	Seagar & Partners (Auckland) Limited
Reclaimed land and seawalls	Optimised depreciated replacement cost	Opus International Consultants Limited
Aeronautical land, including land associated with aircraft, freight and terminal uses	Direct sales comparison	Seagar & Partners (Auckland) Limited
Lessor's interest in land	Discounted cash flow	Seagar & Partners (Auckland) Limited
Land associated with commercial property	Direct capitalisation of rental income and discounted cash flow	Seagar & Partners (Auckland) Limited
Other land	Direct sales comparison	Seagar & Partners (Auckland) Limited
Buildings and services		
Specialised buildings and services including terminals	Optimised depreciated replacement cost	Opus International Consultants Limited
Buildings and services associated with commercial property	Direct capitalisation of rental income and discounted cash flow	Seagar & Partners (Auckland) Limited
Infrastructure		
Infrastructure assets associated with commercial property	Direct capitalisation of rental income and discounted cash flow	Seagar & Partners (Auckland) Limited
Other infrastructure assets	Optimised depreciated replacement cost	Opus International Consultants Limited
Runway, taxiways and aprons		
Runway, taxiways and aprons	Optimised depreciated replacement cost	Opus International Consultants Limited

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(c) Carrying amounts if land, buildings and services, infrastructure, runway, taxiways and aprons were measured at historical cost less accumulated depreciation

If land, buildings and services, infrastructure, runway, taxiways and aprons were measured using the historical cost model, the carrying amounts would be as follows:

	2009 $000	2008 $000
Land		
Cost	121,697	120,766
Accumulated depreciation	-	-
Net carrying amount	**121,697**	**120,766**
Buildings and services		
Cost	516,542	499,233
Accumulated depreciation	(223,393)	(203,284)
Net carrying amount	**293,149**	**295,949**
Infrastructure		
Cost	101,068	96,999
Accumulated depreciation	(31,681)	(28,882)
Net carrying amount	**69,387**	**68,117**
Runway, taxiways and aprons		
Cost	287,592	272,343
Accumulated depreciation and impairment	(115,410)	(106,033)
Net carrying amount	**172,182**	**166,310**

9. Cash

	2009 $000	2008 $000
Cash and bank balances	14,744	159

Cash and bank balances earn interest at daily bank deposit rates.

During the year surplus funds were deposited on the overnight money market at a rate of 2.50% to 7.50%. (2008: 8.25%).

10. Receivables

	2009 $000	2008 $000
Trade receivables	3,513	2,621
Less: Provision for doubtful debts	(265)	(2)
Net trade receivables	3,248	2,619
Revenue accruals and other receivables	11,218	9,301
	14,466	11,920

Notes and accounting policies

For the year ended 30 June 2009

11. Issued and paid-up capital

The number of issued and paid up shares of the company as at 30 June 2009 was 1,225,243,239 (2008: 1,222,295,239).

All issued shares are fully paid and have no par value.

Each ordinary share confers on the holder one vote at any shareholder meeting of the company and carries the right to dividends.

Options have been exercised pursuant to the Executive Share Option Plan. Details of these options are disclosed in note 23.

The value of share capital attributed to Identified Airport Activities is as follows:

	2009 $000	2008 $000
Opening issued and paid-up capital at 1 July	198,406	197,582
Options exercised during the year	3,141	824
Shares issued to employee share scheme	304	-
Closing issued and paid-up capital at 30 June	201,851	198,406

12. Retained earnings and reserves

(a) Movements in retained earnings were:

	2009 $000	2008 $000
Balance at 1 July	(39,734)	(38,094)
Profit after taxation	38,261	40,899
Ordinary dividends paid	(27,320)	(42,983)
Reclassification from revaluation reserve	1,050	444
Balance at 30 June	**(27,743)**	**(39,734)**

(b) Property, plant and equipment revaluation reserve

	2009 $000	2008 $000
Balance at the beginning of the year	642,252	639,040
Reclassification to retained earnings	(1,050)	(444)
Property, plant and equipment revaluation movements due to allocation changes	2,328	5,156
Movement in deferred tax	(196)	(1,500)
Balance at the end of the year	**643,334**	**642,252**

(c) Share-based payments reserve

	2009 $000	2008 $000
Balance at the beginning of the year	763	736
Executive share option plan	-	27
Balance at the end of the year	**763**	**763**

The share-based payments reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 23 for further details of these plans.

(d) Cash flow hedge reserve

	2009 $000	2008 $000
Balance at the beginning of the year	1,667	4,843
Fair value change in hedging instrument	(13,375)	(985)
Transfer to income statement	(2,514)	(2,191)
Movement in deferred tax	4,213	-
Balance at the end of the year	**(10,009)**	**1,667**

The cash flow hedge reserve records the effective portion of the fair value of interest rate swaps that are designated as cash flow hedges. Amounts transferred to the income statement are included in interest expense and other finance costs.

13. Accounts payable and accruals

	2009 $000	2008 $000
Employee entitlements	3,619	3,853
Phantom option plan accrual (refer note 23)	1,404	1,367
GST payable	(49)	670
Property, plant and equipment retentions and payables	6,861	9,067
Trade payables	1,712	439
Other payables and accruals	11,240	12,075
Total accounts payable and accruals	**24,787**	**27,471**

14. Borrowings

At the balance date the following borrowing facilities were in place for the full company:

	Maturity	Coupon	2009 $000	2008 $000
Current				
Money market	Overnight	Floating	-	32,800
Commercial paper	< 3 months	Floating	72,824	193,123
Bonds	15/11/2008	7.50%	-	36,907
Bonds	15/11/2008	6.64%	-	37,963
Bonds	29/07/2009	6.67%	67,074	-
Floating rate notes	29/07/2009	Floating	8,100	-
Bank facility	10/03/2010	Floating	125,000	-
Total short-term borrowings			272,998	300,793

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For the year ended 30 June 2009

	Maturity	Coupon	2009 $000	2008 $000
Non-current				
Bank facility	10/03/2010	Floating	-	125,000
Bank facility	10/03/2011	Floating	125,000	45,000
Bank facility	31/01/2012	Floating	270,000	275,000
Floating rate notes	29/07/2009	Floating	-	8,100
Floating rate notes	29/11/2011	Floating	5,000	5,000
Bonds	29/07/2009	6.67%	-	65,709
Bonds	29/07/2011	6.83%	73,715	67,918
Bonds	7/11/2012	7.19%	50,000	50,000
Bonds	28/02/2014	7.25%	50,000	-
Bonds	7/11/2015	7.25%	100,000	100,000
Bonds	15/11/2016	8.00%	129,992	-
Total term borrowings			803,707	741,727
Total				
Money market			-	32,800
Commercial paper			72,824	193,123
Bank facilities			520,000	445,000
Floating rate notes			13,100	13,100
Bonds			470,781	358,497
Total borrowings			1,076,705	1,042,520
Summary of maturities				
Due less than 1 year			272,998	300,793
Due 1 to 3 years			473,715	243,809
Due 3 to 5 years			100,000	397,918
Due greater than 5 years			229,992	100,000
			1,076,705	1,042,520

The company utilises a mixture of term bonds, bank facilities, floating rate notes, money market facilities and commercial paper to provide its ongoing debt requirements. The directors are confident that short-term borrowings will be refinanced at maturity.

In January 2005, the company renewed its commercial paper programme. The facility has no maximum programme amount.

In December 2005, the company established a $275.000 million, five year, bank facility with Commonwealth Bank of Australia. The facility contains a term debt facility of $100.000 million and a revolving cash advances facility of up to $175.000 million. In February 2007, the company extended the expiry date of this bank facility to 31 January 2012.

In March 2008, the company established a dual tranche stand-by facility agreement with a syndicate of banks for $200.000 million. The first tranche is for $100.000 million and notice was given on 24 August 2009 to cancel this tranche of the facility. The second tranche is for $100.000 million and expires on 10 March 2010. The purpose of the stand-by facilities is to support the commercial paper programme and to provide liquidity support for general working capital.

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Also in March 2008, the company established a cash advances facility agreement with a syndicate of banks for $350.000 million. The facility contains a two year facility of $125.000 million, a three year facility of $125.000 million and a five year revolving cash advances facility of up to $100.000 million.

During October and November 2008, the company raised $130.000 million through a retail bond issue. The bonds are unsecured, unsubordinated and pay interest at a fixed rate of 8.00% with a maturity of 15 November 2016.

During January and February 2009, the company raised a further $50.000 million through a follow-up retail bond issue. The bonds are unsecured, unsubordinated and pay interest at a fixed rate of 7.25% with a maturity of 20 February 2014.

Borrowings under the bank facilities, and stand-by facilities are supported by a negative pledge deed. Borrowings under the bond programme are supported by a master trust deed.

Floating rate notes are based on the 90 day bank bill rate plus a margin of 24 to 30 basis points. During the year ended 30 June 2009 the range of interest rates has been between 3.25% and 9.21% (2008: 8.31% and 9.21%) and at year end the rates were between 3.25% and 3.31% (2008: 9.15% and 9.21%). Commercial paper rates are set through a tender process and during the year ended 30 June 2009 the range of interest rates has been between 3.40% and 9.29% (2008: 8.02% and 9.30%) and at year end the rates were between 3.40% and 3.61% (2008: 8.99% and 9.29%). The rates on bank facilities during the year have been between 3.13% and 9.35% (2008: 8.29% and 9.66%) and at year end the rates were between 3.13% and 3.56% (2008: 8.94% and 9.39%). The bridge facility rates during 2008 were between 8.33% and 9.05%. The money market rates during the year ended 30 June 2009 have been between 5.25% and 9.20% (2008: 8.05% and 9.20%).

The borrowings have been allocated to the Identified Airport Activities as follows:

	2009 $000	2008 $000
Current		
Money market	-	12,149
Commercial paper	26,440	71,534
Floating rate notes	2,941	-
Bank facility	45,384	
Bonds	24,352	27,731
Total short-term borrowings	99,117	111,414
Non-current		
Bank facility	181,797	192,442
Floating rate notes	2,301	5,665
Bonds	185,805	122,657
Total term borrowings	369,903	320,764
Total borrowings attributed to Identified Airport Activities	469,020	432,178
Borrowings attributed to Non-Identified Airport Activities	607,685	610,342
Total borrowings of the company	1,076,705	1,042,520

Undrawn bank and stand-by facilities have not been allocated between the company’s Identified Airport Activities.

15. Derivative financial instruments

The company is subject to interest rate risk on the company's borrowings. To manage interest rate risk the company has utilised interest rate swaps that are accounted for as cash flow hedges or fair value hedges. At balance date the fair value of derivatives attributable to Identified Airport Activities are as follows:

	2009 $000	2008 $000
Current assets		
Interest rate swaps – cash flow hedges	-	121
Interest rate swaps – fair value hedges	744	-
Total	744	121
Non-current assets		
Interest rate swaps– cash flow hedges	-	2,895
Interest rate swaps – fair value hedges	2,360	-
Total	2,360	2,895
Current liabilities		
Interest rate swaps– cash flow hedges	2,221	-
Interest rate swaps – fair value hedges	-	310
Total	2,221	310
Non-current liabilities		
Interest rate swaps– cash flow hedges	12,954	920
Interest rate swaps – fair value hedges	-	636
Total	12,954	1,556

Cash flow hedges
At 30 June 2009, the company held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount. The notional amount of the interest rate swaps at 30 June 2009 is $214.579 million (2008: $198.767 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on bank facilities and commercial paper. The interest payment frequency on these borrowings is quarterly.

During the year, the cash flow hedges were assessed to be highly effective. No ineffectiveness has been recognised in the income statement.

Fair value hedges
At 30 June 2009, the company held interest rate swaps where it receives a fixed rate of interest and pays a variable rate on the notional amount. The notional amount of the interest rate swaps at 30 June 2009 is $60.569 million (2008: $87.766 million). These interest rate swaps are designated as fair value hedges and transform a series of known fixed debt interest cash flows to future variable debt interest cash flows so as to mitigate exposure to fair value changes in fixed interest bonds.

Gains or losses on the derivatives and fixed interest bonds for fair value hedges recognised in the income statement during the period were:

	2009 $000	2008 $000
Gains / (losses) on the fixed interest bonds	(3,415)	(1,553)
Gains / (losses) on the derivatives	3,415	1,553

16. Reconciliation of profit after taxation with cash flow from operating activities

	2009 $000	2008 $000
Profit after taxation	38,261	40,899
Non-cash items:		
Depreciation	42,181	37,133
Bad debts and doubtful debts	(95)	246
Deferred taxation expense	1,423	1,149
Share based payments	-	27
Items not classified as operating activities:		
Loss on asset disposals	877	222
(Increase) / decrease in property, plant and equipment retentions and payables	2,205	2,508
Movement in working capital:		
(Increase) / decrease in current assets	(2,327)	(3,448)
(Increase) / decrease in taxation receivable	2,313	(995)
Increase / (decrease) in accounts payable	(3,903)	(7,589)
Net cash flow from operating activities	80,935	70,152

17. Financial instruments

Fair value

The company's financial instruments that are assets comprise cash, accounts receivable and other non-current assets (classified as loans and receivables) and derivatives (designated as effective hedging instruments).

The company's financial instruments that are liabilities comprise accounts payable and accruals, borrowings, other term liabilities (classified as financial liabilities at amortised cost) and derivatives (designated as effective hedging instruments).

The company's derivative financial instruments are interest rate swaps that are all effective hedging instruments. The company's financial instruments arise directly from the company's operations and as part of raising finance for the company's operations.

The carrying value approximates the fair value of cash, accounts receivable, derivative financial instruments, bank overdraft, accounts payable, accruals, other term liabilities and all borrowings except for bonds.

The estimated fair values of the remaining financial instruments at balance date were:

	Carrying Value 2009 $000	Fair Value 2009 $000	Carrying Value 2008 $000	Fair Value 2008 $000
Bonds	210,157	211,976	150,388	147,792

The fair value of the above financial instruments is based on the quoted market prices for these instruments at balance date.

18. Financial risk management objectives and policies

The company has a treasury policy which limits exposure to market risk for changes in interest rates, liquidity risk and counter-party credit risk. The company has no material direct foreign currency or other price risk exposure.

(a) Credit risk

The maximum exposure to credit risk at 30 June is equal to the carrying value for cash at bank, accounts receivable and derivative financial instruments.

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For the year ended 30 June 2009

Credit risk is managed by restricting the amount of cash and marketable securities which can be placed with any one institution which will be either the New Zealand Government or a New Zealand registered bank with an appropriate international credit rating. The company minimises its credit risk by spreading such exposures across a range of institutions.

The company's credit risk is also attributable to accounts receivable which principally comprise amounts due from airlines, tenants and licensees. The company has a policy that manages exposure to credit risk by way of requiring a performance bond for some customers whose credit rating or history indicates that this would be prudently required. The value of performance bonds for the Identified Airport Activities is nil (2008: nil). There are no significant concentrations of credit risk.

(b) Liquidity risk
The company's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings on money market, bank loans, floating rate notes, commercial paper and bonds.

To manage the liquidity risk, the company's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2009, this facility headroom for the company was $305.000 million (2008: $380.000 million). The company's policy also requires the spreading of debt maturities.

The following tables summarise the maturity profile of the full company's borrowings and derivatives based on contractual undiscounted payments.

As at 30 June 2009

	< 1 year $000	**1 to 3 years $000**	**3 to 5 years $000**	**>5 years $000**	**Total $000**
Money market	-	-	-	-	-
Commercial paper	73,000	-	-	-	73,000
Bank facilities	125,000	395,000	-	-	520,000
Floating rate notes	8,100	5,000	-	-	13,100
Bonds	66,900	70,000	100,000	229,992	466,892
Interest	46,316	72,069	42,617	34,591	195,593
Current derivative assets	(1,686)	-	-	-	(1,686)
Term derivative assets	(2,517)	(2,983)	-	-	(5,500)
Current derivative liabilities	5,092	-	-	-	5,092
Term derivative liabilities	15,437	12,197	1,406	1,964	31,004
Total	**335,642**	**551,283**	**144,023**	**266,547**	**1,297,495**
Attributed to Identified Airport Activities	146,208	240,142	62,738	116,110	565,198
Attributed to Non-Identified Airport Activities	189,434	311,140	81,286	150,437	732,297
Total	**335,642**	**551,283**	**144,023**	**266,547**	**1,297,495**

Notes and accounting policies

For the year ended 30 June 2009

As at 30 June 2008

	< 1 year $000	1 to 3 years $000	3 to 5 years $000	>5 years $000	Total $000
Money market	32,800	-	-	-	32,800
Commercial paper	195,000	-	-	-	195,000
Bank facilities	-	170,000	275,000	-	445,000
Floating rate notes	-	8,100	5,000	-	13,100
Bonds	75,425	66,900	120,000	100,000	362,325
Interest	64,666	99,606	37,031	18,125	219,428
Current derivative assets	(303)	-	-	-	(303)
Term derivative assets	(3,390)	(2,481)	(1,293)	(930)	(8,094)
Current derivative liabilities	760	-	-	-	760
Term derivative liabilities	1,651	1,846	(391)	1,898	5,004
Total	**366,609**	**343,971**	**435,347**	**119,093**	**1,265,020**
Attributed to Identified Airport Activities	139,841	142,334	184,676	49,176	516,027
Attributed to Non-Identified Airport Activities	226,768	201,637	250,671	69,917	748,993
Total	**366,609**	**343,971**	**435,347**	**119,093**	**1,265,020**

(c) Interest rate risk

The company's exposure to market risk for changes in interest rates relates primarily to the company's short and long-term debt obligations.

The company's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt. The company's policy is to keep its exposure to borrowings at fixed rates of interest between parameters set out in the company's treasury policy.

At year-end 79% (2008: 58%) of the company borrowings (including the effects of the derivative financial instruments) were subject to fixed interest rates, which are defined as borrowings with an interest reset date greater than one year. The company's hedged forecast future interest payments are expected to occur at various dates between one month and nine years from 30 June 2009.

The following table demonstrates the sensitivity to a change in interest rates of plus and minus 1.00%, with all other variables held constant, of the profit before tax and equity attributable to Identified Airport Activities.

	2009 $000	2008 $000
Increase in interest rate of 1%		
Effect on profit before tax	(972)	(1,660)
Effect on retained earnings	(680)	(1,113)
Effect on cash flow hedge reserve	6,329	5,776
Decrease in interest rates of 1%		
Effect on profit before tax	972	1,660
Effect on retained earnings	680	1,113
Effect on cash flow hedge reserve	(6,706)	(6,136)

(d) Capital risk management

The company's objective is to maintain a capital structure mix of shareholders' equity and debt that achieves a balance between ensuring the company can continue as a going concern and providing a capital structure that reduces the cost of capital to the company and maximises returns for shareholders.

The appropriate capital structure of the company is determined from consideration of capital structure theory, appropriate credit rating, comparison to peers, sources of finance, borrowing costs, shareholder requirements, the ability to distribute surplus funds efficiently, future business strategies and the ability to withstand business shocks.

The company can maintain or adjust the capital structure by adjusting the level of dividends, changing the level of capital expenditure investment, issuing new shares or selling assets to reduce debt. The company monitors the capital structure on the basis of the gearing ratio and by considering the credit rating of the company.

The gearing ratio is calculated as borrowings divided by borrowings plus shareholders equity. The gearing ratio of the Identified Airport Activities as at 30 June 2009 is 36.7% (2008: 35.0%). The current long-term credit rating of Auckland Airport by Standard and Poor's at 30 June 2009 is A- Stable Outlook (2008: A Negative Outlook).

19. Commitments

(a) Property, plant and equipment commitments
The company had contractual obligations, attributable to Identified Airport Activities, to purchase or develop property, plant and equipment for $15.086 million at balance date (2008: $51.611 million) principally relating to the second runway development and the 1st floor re-development of the international terminal.

(b) Operating lease commitments receivable – company as lessor

The company has commercial properties owned by the company that produce rental income.

These non-cancellable leases have remaining terms of between one month and 19 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases, attributable to Identified Airport Activities, as at 30 June are as follows:

	2009 $000	2008 $000
Within one year	16,280	8,603
After one year but no more than five years	48,067	24,090
After more than five years	43,845	22,160
Total minimum lease payments receivable	**108,192**	**54,853**

20. Contingent liabilities

Noise insulation
In December 2001, the Environment Court ratified an agreement that had been reached between Manukau City Council, the company and other interested parties on the location and future operation of a second runway to the north and parallel to the existing runway. The targeted completion date for the first stage to be operational is early 2011 and will provide a runway of 1,200 metres. This can be increased to 2,150 metres in the future.

Approvals for the second runway include a number of obligations on the company to mitigate the impacts of aircraft noise on the local community. An annual contribution of $0.290 million (relating to the 2009 financial year and inflation adjusted for future years) is made to a noise mitigation trust fund administered by the company and the community for the benefit of the local communities.

Also, as part of the Manukau District Plan, the company will, over time, offer certain acoustic treatment packages to existing homes and schools within defined areas. Noise levels are monitored continually, and as the noise impact area increases, offers will need to be made. The obligation does not extend to new houses. Overall, it is estimated that approximately 4,000 homes will eventually be offered assistance.

As it is not possible to accurately predict the rate of increase in aircraft noise levels over time, nor the rate of acceptance of offers of treatment to homeowners, the company cannot accurately predict the overall cost or timing of acoustic treatment. It is estimated that, overall, further costs would not exceed $11.0 million. Pursuant to the aeronautical pricing consultation process between the company and its substantial customers completed on 2 July 2007, future noise costs will be shared between the company and the airlines on a fair and equitable basis. Aeronautical pricing is reviewed at least every five years.

Claim under Public Works Act

The company received notice in September 2006 from the Craigie Trust of a claim regarding certain land acquired for aerodrome purposes during the 1970s. The land in question is 36.4 hectares, a small proportion of the company's total land holding. The Craigie Trust, as original owner of the land, asserted that the land ceased (between 1985 and 1989) to be required by the company for the public work for which it was acquired and should be offered back to it under the Public Works Act 1981. The claim did not succeed when it was heard before the High Court in March 2008.

The Craigie Trust has filed a notice of appeal against the High Court decision that ruled in favour of Auckland Airport and the appeal was heard in the Court of Appeal on 22 and 23 of September 2009. The judgement from the Court of Appeal proceedings has not yet been made. Auckland Airport remains firmly of the view that the claim was without merit. Auckland Airport has filed a cross appeal on the two aspects of the decision which were not in its favour. Should the Craigie Trust ultimately succeed in its appeal of the judgment, that could, depending on the terms of the judgment, have implications for other areas of land acquired under the Public Works Act.

21. Provisions for noise mitigation

Since 2005, the company has made acoustic treatment offers to a total of 2,523 houses and five schools. Homeowners of 226 homes and 3 schools have accepted these offers.

There were 241 offers made to homeowners in April 2008. These offers were open for 12 months and have now expired. Of the 241 offers, 14 were accepted.

In May 2009, the company made offers to the owners of 1,055 homes. These offers are open for 12 months. As at 30 June 2009, the company has received acceptances from the owners of 12 homes, subsequent to that date a further 10 acceptances have been received.

A provision for noise mitigation costs has been recorded for the estimated costs of acoustic treatment of these buildings. As directly attributable costs of the second runway the costs have been capitalised. These provisions are expected to be settled in the next 12 months.

	2009 $000	2008 $000
Opening balance	3,165	3,062
Provisions made in the period	233	3,169
Unused amounts reversed in the period	-	(1,318)
Expenditure in the period	(1,893)	(1,748)
	1,505	**3,165**

22. Related party disclosures

(a) Transactions with related parties

All trading with related parties, including and not limited to licence fees, rentals and other sundry charges, has been made on an arms-length commercial basis, without special privileges.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

For the year ended 30 June 2009, the Company has not made any allowance for impairment loss relating to amounts owed by related parties (2008: Nil).

The company has transactions with other companies in which there are common directorships. All transactions with these entities have been entered into on an arms-length commercial basis, without special privileges.

(b) Key management personnel compensation

The table below includes the remuneration of directors and the senior management team attributed to Identified Airport Activities:

	2009 $000	2008 $000
Directors' fees	528	555
Senior management's salary and other short-term benefits	2,594	3,002
Termination payments	554	-
Senior management's share-based payment	13	(2,950)
Total key management personnel compensation	**3,689**	**607**

23. Share-based payment plans

The expense arising from share-based payment plans recognised for employee services received during the year attributed to Identified Airport Activities were:

	2009 $000	2008 $000
Expenses from equity-settled share-based payments:		
Executive share option plan	-	21
Expense from cash-settled share-based payments:		
Phantom option plan	296	(3,244)
Total expense from share-based payment transactions	**296**	**(3,223)**

(a) Employee share purchase plan

The company established the Auckland International Airport Limited Share Purchase Plan ("purchase plan") on 16 November 1999 to assist employees (but not directors) to become equity holders in the company. A Trust Deed dated 19 November 1999 governs the operation of the purchase plan.

The purchase plan was open to all full time and part time (those working more than 15 hours per week) employees who have a minimum of one year's service. Consideration payable for the shares was determined by the company.

The company advanced to the purchase plan all the monies necessary to purchase the shares under the purchase plan. The advances are repayable by way of deduction from the employee's regular remuneration. The terms of such loans are determined by the company. The amount payable by the purchase plan to the company at balance date is $0.390 million (2008: $0.025 million). These advances are interest free.

The shares allocated under the purchase plan are held in trust for the employees by the trustees of the purchase plan during the restrictive period. The voting rights are exercised by the trustees of the purchase plan during the restrictive period. The restrictive period is the longer of three years or the period of repayment of the loan made by the trust to the employee in relation to the acquisition of shares.

The purchase plan's trustees as at 30 June 2009 are J Nicholl, J Dale and C Spillane. J Nicholl is the general manager of people and performance, J Dale was the chief financial officer at that date and C Spillane is general counsel and corporate secretary of Auckland International Airport Limited. They are appointed and can be removed by the company. S Robertson has replaced J Dale as chief financial officer and as trustee of the purchase plan since 30 June 2009.

Notes and accounting policies

For the year ended 30 June 2009

Shares held by the purchase plan have not been apportioned between Identified Airport Activities and Non-Airport Activities.

The following ordinary shares were allocated to employees under the purchase plan:

	2009 Shares	2008 Shares
Employee allocation - May 2009		
Opening balance	-	-
Shares issued during the year	285,600	-
Shares fully paid and allocated during the year	(1,500)	-
Balance at end of year	284,100	-

Shares were issued at a price of $1.515, on 21 May 2009, being a 10% discount on the average market selling price over the 10 trading days ending on 14 April 2009.

	2009 Shares	2008 Shares
Employee allocation - May 2004		
Opening balance	-	5,460
Shares fully paid and allocated during the year	-	(5,460)
Balance at end of year	-	-

Shares were issued at a price of $5.14 being a 20% discount to the market rate on 15 April 2004. The issue price after a share split adjustment is $1.29.

	2009 Shares	2008 Shares
Unallocated shares held by the plan		
Balance of unallocated shares from November 1999 share allocation	91,584	91,584
Balance of unallocated shares from May 2004 share allocation	54,560	54,560
Total unallocated shares held by the plan	146,144	146,144
Total ordinary shares held at 30 June	**430,244**	**146,144**

The shares for the November 1999 share allocation were acquired by the trustees at an average price of $2.93 each on 28 September 1999. The shares for the May 2004 share allocation were acquired by the trustees at $5.14 on 28 May 2004. The acquisition prices, after adjusting for a four-for-one share split completed in April 2005, are $0.73 and $1.29 respectively.

Shares held by the purchase plan represent 0.035% (2008: 0.012%) of the total company's shares on issue.

(b) Executive share option incentive plan

As part of executive remuneration, the company has established the Executive Share Option Plan ("option plan") to assist in attracting and retaining key executives, and ensuring that the interests of those executives and the company are aligned. The company has issued options for shares in the company to certain employees under the terms of the option plan. The holder of an option is entitled to subscribe for one fully paid ordinary share for each option. The exercise price is determined based on the company's share price at the date of issue of the option adjusted to reflect movements in the NZX 50 gross index between the date of issue and the date of exercise of the option, less any dividends and capital repayments which the company has paid during this period. The number of options granted before 2003 has been reduced for the capital repayment of seven in every twenty five shares made in October 2002. The number of options has been increased to reflect the four-for-one share split completed in April 2005.

Notes and accounting policies

For the year ended 30 June 2009

The first issue of options under this option plan was made on 15 December 1999. No options are exercisable until after the third anniversary of issue of the option. If options are not exercised before the sixth anniversary of issue then they are deemed to have lapsed. Options may lapse when an employee terminates their employment with the company other than through retirement.

Options are issued to executive employees of the company at the discretion of the board of directors of the company. The board has discretion over the number of options issued to any employee and the specific terms of any options issued.

Details of options issued for the full company under the option plan are as follows:

For the year ended 30 June 2009

Issue date	Expiry date	Base Exercise Price	Opening number of options	Exercised during the year	Closing number of options	Exercisable at end of the year
09/09/2002	29/11/2008	1.46	662,400	662,400	-	-
11/07/2003	04/09/2009	1.59	1,000,000	1,000,000	-	-
11/07/2003	04/09/2009	1.59	500,000	500,000	-	-
11/07/2003	04/09/2009	1.59	500,000	500,000	-	-
12/01/2004	12/01/2010	1.59	640,000	-	640,000	640,000
			3,302,400	2,662,400	640,000	640,000
Weighted average exercise price per share			$1.72	$1.68	$1.45	$1.45

For the year ended 30 June 2008

Issue date	Expiry date	Base Exercise Price	Opening number of options	Exercised during the year	Closing number of options	Exercisable at end of the year
06/09/2001	31/10/2007	1.34	374,400	374,400	-	-
09/09/2002	29/11/2008	1.46	892,800	230,400	662,400	662,400
11/07/2003	04/09/2009	1.59	1,000,000	-	1,000,000	1,000,000
11/07/2003	04/09/2009	1.59	500,000	-	500,000	500,000
11/07/2003	04/09/2009	1.59	500,000	-	500,000	-
12/01/2004	12/01/2010	1.59	640,000	-	640,000	640,000
			3,907,200	604,800	3,302,400	2,802,400
Weighted average exercise price per share			$2.47	$2.00	$1.72	$1.71

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 0.54 years (2008: 1.10 years).

The exercise price for options outstanding at the end of the year was $1.45 (2008: ranged from $1.53 to $1.80).

There were no options issued during the year ended 30 June 2009 (2008: Nil).

The value of the equity-settled share options granted is estimated at the grant date using the Fischer/Margrabe variation of the Black Scholes model taking into account the terms and conditions upon which the options were issued.

Options issued under the option plan have not been apportioned between Identified Airport Activities and Non-Airport Activities.

(c) Phantom option plan

As options available under the option plan approved by shareholders in 1999 had been fully utilised, the directors adopted a Phantom Option Plan ("phantom plan") approach for the executive allocation for each year from 2003 to 2008.

The 2003 phantom plan mirrors the economic effect of the previous executive share option plan. The level of the incentive is based on the movement in the company's share price exceeding the movement in the NZX 50 gross index. It results in the payment of a taxable cash sum on the completion of the term of the plan (three to six years). It does not result in the issue of further shares.

The phantom plans for the years 2004 to 2008 have two components. One component involves the deemed allocation of shares at the prevailing market value at the time of issue. The value of the shares is paid to the executive after three years qualifying service at the market rate prevailing at that time, less the appropriate tax. Ordinary dividends are not taken into account. The second component involves the deemed allocation of options at prevailing market rates. The deemed exercise price is increased by the company's cost of equity each year, less dividends paid. Any benefit above the exercise price is payable in cash, less tax, three to six years after allocation.

Under a further phantom option plan, S Moutter has been granted three million phantom options upon commencement of his employment as chief executive with Auckland Airport. As with the other phantom plans, the phantom options issued to S Moutter are not securities issued by Auckland Airport and no securities will be issued on the exercise of those phantom options. Instead, when phantom options are exercised by S Moutter in accordance with the terms of S Moutter's long term incentive plan, Auckland Airport is required to pay a cash amount (less tax) to him in respect of the options being exercised. The cash amount in respect of each option being exercised will be equal to the closing price of Auckland Airport ordinary shares on the NZSX on the business day immediately preceding the exercise date minus the sum of $2.20 (which is the notional exercise price for the phantom options).

S Moutter is entitled to exercise up to one million phantom options at any time after the date three years after his employment with Auckland Airport commenced, up to a further one million phantom options at any time after the date four years after his commencement date and up to a further one million phantom options at any time after the date five years after his commencement date.

Once they become exercisable, S Moutter's phantom options shall remain exercisable by him for a period of two years from the date they become exercisable. Any phantom options not exercised by this time shall automatically lapse. S Moutter may not give an exercise notice in respect of any phantom option unless total shareholder returns are equal to or greater than a compound pre-tax rate of 12% per annum. S Moutter has not participated in the other phantom option plans.

As at 30 June 2009 the fair value of the cash-settled phantom plans is $1.404 million (2008: $1.367 million) and full provision has been made in the financial statements. Any expense reversal or expense relating to the change in fair value has been included in staff expenses in the income statement. Cash-settled share-based payments under the phantom plan were $0.296 million during the year ended 30 June 2009 (2008: $2.770 million).

The fair value of the cash-settled phantom options is measured at the reporting date using the Black-Scholes methodology taking into account the terms and conditions upon which the instruments were granted. The expected life of each phantom option assumes that participants exercise the phantom option at the optimal time to maximise expected value.

The following table lists the key inputs to the models used for the years ended 30 June 2009 and 30 June 2008:

	Assumptions 2009	Assumptions 2008
Expected volatility (%)	22.6%	22.6%
Risk-free interest rate (%)	4.4%	6.4%
Share price at measurement date ($)	$1.61	$1.95

Notes and accounting policies

For the year ended 30 June 2009

24. Segmental reporting

The company is located in one geographic segment in Auckland, New Zealand, and operates in the airport industry. The company earns revenue from aeronautical activities and other charges and rents associated with operating an airport.

In accordance with the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 Section 8(3), additional information is provided below:

Information on Identified Airport Activities 30 June 2009

	Identified Airfield Activities $000	Identified Passenger Terminal Activities $000	Identified Aircraft and Freight Activities $000	Total Identified Airport Activities $000
Operating revenue				
Airfield income	70,458	-	-	70,458
Passenger services charge	-	66,542	-	66,542
Terminal services charge	-	27,470	-	27,470
Other income	2,175	17,136	11,550	30,861
Total revenue	72,633	111,148	11,550	195,331
Operating expenses				
Staff	11,682	14,466	629	26,777
Repairs and maintenance	3,191	18,952	479	22,622
Rates and insurance	948	1,687	1,025	3,660
Other	4,786	5,865	392	11,043
Total operating expenses	20,607	40,970	2,525	64,102
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	52,026	70,178	9,025	131,229
Depreciation	15,287	25,615	1,279	42,181
Earnings before interest and taxation (EBIT)	36,739	44,563	7,746	89,048
Interest expense and other finance costs	15,213	14,650	2,387	32,250
Profit before taxation	21,526	29,913	5,359	56,798
Taxation expense	7,015	9,825	1,697	18,537
Profit after taxation	14,511	20,088	3,662	38,261
Total assets employed	780,202	484,312	119,106	1,383,620
Average total assets for year	775,089	468,994	115,510	1,359,593
Return on average assets before interest and tax expense	4.7%	9.5%	6.7%	6.5%
Return on average assets after tax but before interest	3.2%	6.5%	4.6%	4.5%

Notes and accounting policies

For the year ended 30 June 2009

Information on Identified Airport Activities 30 June 2008

	Identified Airfield Activities $000	Identified Passenger Terminal Activities $000	Identified Aircraft and Freight Activities $000	Total Identified Airport Activities $000
Operating revenue				
Airfield income	70,129	-	-	70,129
Passenger services charge	-	66,952	-	66,952
Terminal services charge	-	22,897	-	22,897
Other income	1,030	14,990	9,393	25,413
Total revenue	71,159	104,839	9,393	185,391
Operating expenses				
Staff	9,820	9,465	319	19,604
Repairs and maintenance	2,584	17,480	396	20,460
Rates and insurance	1,127	1,873	1,008	4,008
Other	3,954	5,917	402	10,273
Total operating expenses	17,485	34,735	2,125	54,345
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	53,674	70,104	7,268	131,046
Costs relating to ownership proposal	2,490	3,735	328	6,553
Total Earnings before interest, taxation and depreciation (Total EBITDA)	51,184	66,369	6,940	124,493
Depreciation	14,142	21,508	1,483	37,133
Earnings before interest and taxation (EBIT)	37,042	44,861	5,457	87,360
Interest expense and other finance costs	17,237	8,121	1,964	27,322
Profit before taxation	19,805	36,740	3,493	60,038
Taxation expense	6,267	11,746	1,126	19,139
Profit after taxation	13,538	24,994	2,367	40,899
Total assets employed	769,977	453,674	111,914	1,335,565
Average total assets for year	770,965	421,164	112,675	1,304,804
Return on average assets before interest and tax expense	4.8%	10.7%	4.8%	6.7%
Return on average assets after tax but before interest	3.3%	7.2%	3.3%	4.5%

25. Events subsequent to balance date

Final Dividend

On 28 August 2009, the directors approved the payment of a fully imputed final dividend of 4.45 cents per share amounting to $54.523 million paid on 23 October 2009. A portion of the final dividend will be attributed to Identified Airport Activities in the subsequent reporting period.

Notes and accounting policies

For the year ended 30 June 2009

Bond Issue

On 28 October 2009 the company opened a public issue of retail bonds for $125 million. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 7.0% with a maturity of 27 November 2014. The offer is expected to remain open until 27 November 2009 or such earlier date if the offer is fully subscribed.

Auckland International Airport Limited
Identified Airport Activities
Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2009

1. Current charges for Identified Airport Activities

1.1 Landing Charges

Landing charges are based on maximum certified takeoff weight (MCTOW) in tonnes or part thereof.

		Period from 1 July 2008 to 30 June 2009
		$
Aircraft less than 6 tonnes	per landing	50.00
Aircraft over 6 tonnes and under 40 tonnes	per tonne	7.71
Aircraft 40 tonnes and higher		
• International flights	per tonne	12.45
• Domestic flights	per tonne	12.81

Aircraft parking charges are based on MCTOW in tonnes and are payable for every 24 hour time period from the time of landing.

	Period from 1 July 2008 to 30 June 2009
	$
Aircraft less than 6 tonnes	
• Parking in excess of 6 hours	100.00
Aircraft over 6 tonnes and under 40 tonnes	
• Parking in excess of 6 hours but less than 5 days	78.80
• Parking in excess of 5 days but less than 10 days	105.06
• Parking in excess of 10 days	157.59
Aircraft 40 tonnes and higher	
• Parking in excess of 6 hours but less than 5 days	105.06
• Parking in excess of 5 days but less than 10 days	262.66
• Parking in excess of 10 days	525.31

Subsequent to the year end Auckland Airport temporarily deferred its scheduled July 2009 aeronautical price increases and reduced landing charges below the 30 June 2009 year level. As part of the 2007 to 2012 five-year pricing plan, charges were due to increase on 1 July 2009. Given the deferral the revenues generated through landing charges and passenger services charges will remain the same as the prior year for the first six months of the 2010 financial year.

Auckland International Airport Limited
Identified Airport Activities

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2009

1.2 Passenger Services Charge

For the twelve months ended 30 June 2009 arriving and departing international passengers were charged $13.00 (including GST) for all passengers who were:

- 12 years of age and over;
- not a bona fide transit passenger en route to another international port and staying less than 24 hours; and
- Not a bona fide international diplomat from a foreign country.

1.3 Terminal Services Charge

A terminal services charge is levied directly to airlines for use of particular areas, as well as plant and services of those areas of the international terminal. The effective terminal services charge for FY09 was $3.99 per passenger.The charge is calculated annually and levied to each airline on a fixed charge per month. Some airlines are not party to the Terminal Services Agreement and those airlines pay for international passenger facilities as follows:

- With airbridge, or transfer bus use - $15.00 for each embarking and each disembarking passenger.
- Without airbridge, or transfer bus use - $8.50 for each embarking and each disembarking passenger.

1.4 Other Terminal Charges

Other charges for space and services provided in the terminals are negotiated on a general tenancy basis. These rentals are determined on normal commercial arrangements with reference to the areas and services provided.

1.5 Aircraft and Freight Charges

Income from aircraft and freight activities are either rental based or for the fuel line. Building and ground rental rates are negotiated based on commercial market rates for services provided or at rates set in historical arrangements. The fuel line charge compromises a rental for the land use, plus a charge of $0.0021 per litre that passes through the line.

1.6 The methodology used to determine charges

Consultation
The Airport Authorities Act 1966 and subsequent amendments require airport companies to consult with airlines prior to setting charges payable for Identified Airport Activities. Auckland Airport set new landing charges, effective 1 September 2007, and passenger services charges, effective 1 July 2008, following a comprehensive and lengthy period of consultation. The scope of this consultation included airfield activities (Airfield Consultation) with changes to the landing and parking charges and passenger terminal activities (Terminal Consultation) resulting in a change to passenger services charges. The consultation did not extend to aircraft and freight activities. Furthermore, at the request of the airlines, the scope of Terminal Consultation excluded Specified Passenger Terminal Activities charged by way of individual tenancy leases.

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2009

Approach used to determine charges effective from 1 September 2007 and 1 July 2008 (Airfield and Terminal Consultation)
The company used the following building block model during its consultation with substantial customers to determine the forecast allowable revenue for Airfield and Passenger Terminal activities.

Allowable revenue = Weighted Average Cost of Capital x Capital Employed + Efficient Operating Costs + Depreciation on Assets + Taxation – Revaluation Gain.

Each item was forecast in consultation with airlines and with considerable input from external experts. Allowable revenues were estimated after adjusting for other airfield and terminal revenue sources (e.g. parking charges, terminal services charge and counter license rentals).

With respect to assets:

- Land was assessed using a Market Value Alternative Use (MVAU) valuation.
- Other assets were assessed on an Optimised Depreciated Replacement Cost valuation (ODRC), with the exception of the seawall which was valued on a MVAU basis.
- Following consultation, some elements were optimised either in whole or part.

Cost categories and Allocations (Airfield and Terminal Consultation)
The company forecast both the direct and indirect costs associated with Airfield and Passenger Terminal activities.

The most significant costs associated directly with the Airfield include:

- Airport emergency services
- Airfield operations
- Apron tower

The most significant costs associated with the Passenger Terminal include:

- Terminal building operational costs (international and domestic)
- Staff dedicated to passenger services
- Baggage handling services

Following consultation the company has allocated indirect costs on a forecast share of space attributable to each activity in the international terminal building.

2. Allocation methodology used in the preparation of these statements

Expenditure categories and allocation
Expenditure falls into one of the following categories:

- Direct operational costs are incurred solely by Identified Airport Activities, or another business unit of the airport, and have been allocated directly to the area affected.
- Indirect operational costs are either incurred by a number of Identified Airport Activities, or in conjunction with other business units. The company primarily allocates indirect costs on a share of space attributable to each activity in the international terminal building, consistent with the most recent consultation. Each year an analysis is made for space in the international terminal building attributed to Identified Airport Activities versus non-Identified Airport Activities. The Identified Airport Activities share is then split amongst the three aeronautical segments based on their share of direct revenues.
- Non-operational costs have been allocated to the Identified Airport Activities on the following basis:
    - Depreciation allocated across segments consistent with the methodology used for assets (see below).

- Interest expense is allocated to segments consistent with the methodology used for debt (see below).
- Taxation expense is allocated based on the allocation rules associated with the underlying taxation temporary difference, including tax depreciation.

Expense items are generally analysed at the business unit level, however further analysis is conducted where significant costs within a business unit are known to have a different driver.

Allocation of assets
Current assets are allocated to a segment activity after reviewing underlying transactions.

The company maintains a detailed property, plant and equipment register. Each asset has been either coded directly to an Identified Airport Activity, a non-Identified Airport Activity or allocated using a specific rule. Where assets are allocated to a number of segments, they have been apportioned between the affected activities using an activity based cost methodology or the nearest proxy to it. Material asset classes and apportionment approaches are:

- Terminal property, plant and equipment, including land and buildings, have been generally apportioned on the basis of an area analysis of terminal usage.
- Land held for future airport development has been allocated between the various activities based on its intended future use.
- Roads have been attributed directly where possible, roads with material common use have been allocated with terminal usage as a proxy for underlying use.
- Stormwater assets have been allocated on the basis of the sealed areas. Wastewater assets have been allocated on the basis of their estimated usage across the business.

Allocation of debt
Debt is allocated between segments on the assumption that it represents the net position of the segments after all other cash flows. It represents intra-segmental borrowing.

Allocation of equity
The equity position of each segment is calculated with reference to the following:

- The opening level of equity.
- Adjustments for movements due to net profit less dividends in the segment.
- Adjustments for any capital issued or repaid.

Dividends are allocated between segments based on the segment share of surplus after tax. The capital repayment made during 2002-03 and the buy-back of shares during 2005-06 have been allocated to non-identified airport activities.

3. Cost of capital

The company revises its weighted average cost of capital (WACC) periodically to coincide with its aeronautical consultation processes or as required prior to a major aeronautical investment. The calculation of WACC for a particular portion of a company is subject to variables that require expert assessment and judgment. As such, an estimated range is determined rather than a precise number.

The company uses the generally-accepted approach to the calculation of WACC. This represents the weighted average cost of equity (adopting the simplified version of the Brennan-Lally CAPM) plus the cost of debt, net of corporate tax deductions, as follows:

$$WACC = k_e \frac{E}{V} + k_d \left(1 - t_c\right)\frac{D}{V}$$

Where:

k_e = Cost of equity capital

k_d = Cost of debt

E/V = "Market" value of equity/total enterprise value

D/V = "Market" value of debt/total enterprise value

t_c = Corporate tax rate

$$k_e = r_f(1 - T_i) + \beta_L(TAMRP)$$

Where, in addition to the terms already defined:

r_f = *Risk free rate*

T_i = *The average (across equity investors) of their marginal tax rates on ordinary income*

$ß_L$ = *Levered beta*

TAMRP = *Tax-Adjusted Market Risk Premium*

The following tables summarise the key WACC elements and resultant WACC ranges, as determined in 2007, for charges in place for the majority of charges relevant to the financial year ended 30 June 2009 and the comparative financial year ended 30 June 2008.

	Aeronautical pricing WACC to 30 June 2008	Aeronautical pricing WACC from 30 June 2008 to 30 June 2012
Risk free rate	7.26%	7.26%
Tax adjusted market risk premium	7-8%	7-8%
Company tax rate	33%	30%
Debt margin	1.29-1.39%	1.29-1.39%
Debt to debt plus equity ratio	35%-45%	35%-45%
Asset beta	0.5-0.7	0.5-0.7
Nominal after tax WACC range	8.67-10.88%	8.76-11.00%

These most recent WACC inputs were defined as follows:

Risk free rate: The risk-free rate is based on the five year New Zealand Government bond rate as this has a maturity equivalent to the regulatory pricing period.

Market risk premium The appropriate TAMRP is based on a range of expert views and evidence available at that time and is determined on a forward-looking basis, taking into account future market expectations.

Debt margin: The debt margin is based on the relevant 5-year swap rate plus a borrowing margin plus issuance costs less the relevant risk free rate.

Debt-equity ratio: The target gearing ratio for AIAL's aeronautical business over the regulatory pricing period determined by reference to the financial leverage inferred from the capital structure of appropriate comparable firms.

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2009

4. Statistical Information

All statistical information relates to Identified Airport Activities.

4.1 Passenger numbers for the year ended 30 June 2009:

	Domestic	International	Transfers and Transits	Total
Arrivals	2,854,098	3,193,443	483,012	6,530,553
Departures	2,799,208	3,200,144	483,012	6,482,364
	5,653,306	**6,393,587**	**966,024**	**13,012,917**

Passenger numbers for the year ended 30 June 2008:

	Domestic	International	Transfers and Transits	Total
Arrivals	2,896,355	3,265,383	464,699	6,626,437
Departures	2,843,734	3,267,902	464,699	6,576,335
	5,740,089	**6,533,285**	**929,398**	**13,202,772**

4.2 The number of scheduled landings of international flights are as follows:

Aircraft type	Number of landings 2009	Number of landings 2008
B763	4,027	4,146
A320	3,458	3,166
B772	2,990	2,957
B738	2,575	1,701
B744	1,691	2,306
A343	1,269	1,299
B734	794	536
B77W	793	165
A345	510	365
B733	477	426
A342	400	354
B743	230	98
A332	218	260
B722	190	241
B737	112	116
A388	97	-
B77L	48	-
B773	7	611
A333	2	1
B732	2	6
B742	1	-
SW4B	1	-
A346	-	268
CVLT	-	1
GLF4	-	1
GLF5	-	1
H25B	-	1
MD11	-	1
Total	**19,892**	**19,027**

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2009

4.3 The number of scheduled landings of domestic flights where the MCTOW equals or exceeds three tonnes are as follows:

Aircraft type	Number of landings 2009	Number of landings 2008
B733	16,989	17,040
B190	14,945	16,038
DH8C	12,515	11,593
B738	2,137	1,613
AT72	1,702	2,306
B734	862	885
TRIS	780	713
CVLT	703	733
F27	274	278
SW4B	262	373
A320	252	858
B732	195	414
JS32	169	473
B772	115	228
B763	75	6
B744	5	3
PA31	5	11
C208	2	-
DH8A	2	-
A343	1	-
A345	1	-
BE20	1	-
SF34	-	72
B737	-	1
Total	**51,992**	**53,638**

4.4 The number of scheduled landings of domestic flights where the MCTOW is less than three tonnes are as follows:

Aircraft type	Number of landings 2009	Number of landings 2008
BN2P	1,505	2,031
PA32	286	138
P68	212	203
C172	16	8
DA42	1	-
PA27	1	133
R44	-	1
Total	**2,021**	**2,514**

4.5 The total number of landings of all other domestic and international aircraft. These include non-scheduled flights, freight, military aircraft and others.

Aircraft type	Number of landings 2009	Number of landings 2008
Various aircraft types	4,422	4,538

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2009

4.6 The summary of the total number of landings is as follows:

	Number of landings 2009	Number of landings 2008
Scheduled International	19,892	19,027
Scheduled Domestic >= 3000 kg	51,992	53,638
Scheduled Domestic < 3000 kg	2,021	2,514
Unscheduled and other landings	4,422	4,538
Total number of arrivals	**78,327**	**79,717**
Total number of flight movements	**156,781**	**159,627**

4.7 Interruptions

The total number and duration of planned and unplanned interruptions during the year ended 30 June 2009 is shown below, alongside comparative information for the year ended 30 June 2008.

Planned interruptions are where the substantial customers are given at least 24 hours notice of the interruption; otherwise the interruption is deemed to be unplanned. An interruption is a withdrawal of service by the company during operational hours, but does not include an interruption to runway services due to weather conditions.

	Year ended 30 June 2009		Year ended 30 June 2008	
Planned interruptions				
	Number	**Total duration (hh:mm)**	**Number**	**Total duration (hh:mm)**
Runway services	-	-	1	00:20
Airbridge services	2	28:00	1	01:00
Stand services	-	-	66	31:30
Baggage handling systems	-	-	-	-
Unplanned interruptions				
	Number	**Total duration (hh:mm)**	**Number**	**Total duration (hh:mm)**
Runway services	-	-	9	2:20
Airbridge services	41	379:50	48	431:50
Stand services	-	-	-	-
Baggage handling systems	14	72:44	130	135.45

The following paragraphs provide some commentary on the component elements of these service metrics.

Runway services:

In the year ended 30 June 2009 there were no instances of planned or unplanned interruptions causing services to be interrupted for flights.

Airbridge services:

Planned
There were two instances of planned interruptions when particular airbridges were unavailable for 28 hours, whilst planned maintenance was undertaken.

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2009

Unplanned
There were 41 instances of unplanned interruptions, totalling 379.50 hours of total plant downtime. In most instances this downtime did not affect scheduled services. The service impact of the plant downtime was an additional 20 bus operations for the year. Of the 41 instances, 27 instances totalling 31.25 hours were due to airline ground handling operator errors.

Auckland Airport reviews airbridge performance in a monthly airbridge performance forum. Parties to this forum include BARNZ, airlines and ground handlers.

Stand services:

There were no instances of planned or unplanned interruptions when stands were unavailable for use by aircraft.

Baggage handling services:

Planned
There were no instances of planned interruptions to baggage handling services..

Unplanned
There were 14 instances totalling 72 hours and 44 minutes of unplanned interruptions when the baggage handling system was unavailable to customers. The majority of this downtime is attributable to one instance when the oversize baggage part of the system required unplanned maintenance. The lead time sourcing replacing parts was 36 hours, however a manual fix was implemented within 20 minutes of the part failure.

4.8 The average number of full-time equivalent employees throughout the reporting period, including allocations of staff in supporting areas was:

	2009	
	Total staff	**Operating staff**
Airfield activities	120.69	109.65
Specified passenger terminal activities	117.31	100.47
Aircraft and freight activities	4.73	2.97
Total full-time equivalent staff allocation to Identified Airport Activities	**242.73**	**213.09**

	2008	
	Total staff	**Operating staff**
Airfield activities	124.54	119.19
Specified passenger terminal activities	128.10	103.29
Aircraft and freight activities	2.54	2.47
Total full-time equivalent staff allocation to Identified Airport Activities	**255.18**	**224.95**

Deloitte.

AUDIT REPORT

To the readers of the Auckland International Airport Limited ('the company') Identified Airport Activities Disclosure Financial Statements ('disclosure financial statements')

We have audited the disclosure financial statements on pages 2 to 46 which include financial statements and additional information relating to the company's Identified Airport Activities. The disclosure financial statements are required by Regulation 4 of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. The disclosure financial statements provide information about the past financial performance of the company's Identified Airport Activities and their financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 6 to 14.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of disclosure financial statements which give a true and fair view of the financial position of the company's Identified Airport Activities as at 30 June 2009 and of the results of their operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the disclosure financial statements presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the disclosure financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the disclosure financial statements, and
- whether the accounting policies are appropriate to the company's Identified Airport Activities circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the disclosure financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the disclosure financial statements.

Other than in our capacity as auditor, the provision of other attestation services and taxation advice, we have no relationship with or interests in the company.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the disclosure financial statements on pages 2 to 46 that are required by Regulation 4 of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 and that are required to be audited:
  - comply with any guidelines issued under Regulation 17;
  - subject to these regulations, comply with New Zealand generally accepted accounting practice; and
  - give a true and fair view of the financial position of the company's Identified Airport Activities as at 30 June 2009 and the results of their operations and cash flows for the year ended on that date, and of the matters disclosed in accordance with the Schedule to the regulations.

Our audit was completed on 25 November 2009 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
AUCKLAND, NEW ZEALAND

This audit report relates to the disclosure financial statements of Auckland International Airport Limited (the 'Company') and group for the year ended 30 June 2009 included on the Company's website. The Director's are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the disclosure financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these disclosure financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited disclosure financial statements and related audit report dated 25 November 2009 to confirm the information included in the audited disclosure financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.