Auckland Airport

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 2008

Auckland International Airport Limited
Identified Airport Activities

Income statement

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 $000	2007 $000
Operating revenue			
Airfield income		70,129	66,266
Passenger services charge		66,952	64,389
Terminal services charge		22,897	21,888
Rental income		19,536	15,118
Interest income		364	637
Other revenue		5,513	1,755
Total operating revenue		185,391	170,053
Operating expenses			
Staff	4	19,604	26,897
Repairs and maintenance		20,460	17,474
Rates and insurance		4,008	2,662
Other		10,273	8,353
Total operating expenses		54,345	55,386
Operating earnings before interest, taxation and depreciation (Operating EBITDA)		131,046	114,667
Costs relating to ownership proposals		6,553	-
Total earnings before interest, taxation and depreciation (Total EBITDA)		124,493	114,667
Depreciation	8	37,133	33,201
Earnings before interest and taxation (EBIT)		87,360	81,466
Interest expense and other finance costs	4	27,322	23,270
Profit before taxation		60,038	58,196
Taxation expense	5	19,139	20,616
Profit after taxation		40,899	37,580
		Cents	**Cents**
Earnings per share:			
Basic and diluted earnings per share	7	3.35	3.08

The notes and accounting policies on pages 6 to 50 form part of and are to be read in conjunction with these financial statements.

Auckland International Airport Limited
Identified Airport Activities

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 $000	2007 $000
Movement in cash flow hedge reserve:			
Gain/(loss) taken to equity	12	(985)	4,127
Transferred to income statement	12	(2,191)	(131)
Movement in property, plant and equipment revaluation reserve due to allocation changes	12	5,156	20,813
Movement in deferred tax taken directly to equity	12	(1,500)	4,251
Net income recognised directly in equity		480	29,060
Profit after taxation		40,899	37,580
Total recognised income and expense		41,379	66,640
Increase in issued and paid-up capital	11	824	1,070
Ordinary dividends paid	12	(42,983)	(42,821)
Movement in share-based payment reserve	12	27	62
Changes in equity for the period		(753)	24,951
Equity at beginning of period		804,107	779,156
Equity at end of period		803,354	804,107

Auckland International Airport Limited
Identified Airport Activities

Balance sheet

AS AT 30 JUNE 2008

	Notes	2008 $000	2007 $000
Non-current assets			
Property, plant and equipment	8	1,312,725	1,252,947
Derivative financial instruments	15	2,895	5,002
Other non-current assets		530	522
		1,316,150	1,258,471
Current assets			
Cash	9	159	353
Inventories		108	77
Prepayments		1,944	1,869
Accounts receivable	10	11,920	8,819
Taxation receivable		5,163	4,168
Derivative financial instruments	15	121	287
		19,415	15,573
Total assets		1,335,565	1,274,044
Shareholders' equity			
Issued and paid-up capital	11	198,406	197,582
Retained earnings	12	(39,734)	(38,094)
Property, plant and equipment revaluation reserve	12	642,252	639,040
Share-based payments reserve	12	763	736
Cash flow hedge reserve	12	1,667	4,843
		803,354	804,107
Non-current liabilities			
Term borrowings	14	320,764	235,671
Derivative financial instruments	15	1,556	2,453
Deferred tax liability	5	67,531	64,882
		389,851	303,006
Current liabilities			
Accounts payable and accruals	13	27,471	36,693
Short-term borrowings	14	111,414	127,176
Provisions for noise mitigation	21	3,165	3,062
Derivative financial Instruments	15	310	-
		142,360	166,931
Total equity and liabilities		1,335,565	1,274,044

These financial statements have been prepared to meet the requirements of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 and were approved and adopted by the board on 26 November 2008.

Signed on behalf of the board by:

Anthony Frankham
Director, chairman of the board

Joan Withers
Director, chair of the audit and risk committee

The notes and accounting policies on pages 6 to 50 form part of and are to be read in conjunction with these financial statements.

Auckland International Airport Limited
Identified Airport Activities

Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 $000	2007 $000
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		179,907	170,790
Interest received		364	637
		180,271	171,427
Cash was applied to:			
Payments to suppliers and employees		(65,228)	(48,090)
Income tax paid		(17,462)	(19,208)
Other taxes paid		(223)	(242)
Interest paid		(27,206)	(23,369)
		(110,119)	(90,909)
Net cash flow from operating activities	16	70,152	80,518
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of assets		45	92
		45	92
Cash was applied to:			
Purchase of property, plant and equipment		(94,722)	(80,256)
Interest paid – capitalised		(4,961)	(1,049)
Other investing activities		-	(90)
		(99,683)	(81,395)
Net cash applied to investing activities		(99,638)	(81,303)
Cash flow from financing activities			
Cash was provided from:			
Increase in share capital	11	824	1,070
Increase in borrowings		2,107,711	1,679,496
		2,108,535	1,680,566
Cash was applied to:			
Decrease in borrowings		(2,036,260)	(1,636,551)
Dividends paid	12	(42,983)	(42,821)
		(2,079,243)	(1,679,372)
Net cash flow applied to financing activities		29,292	1,194
Net increase/(decrease) in cash held		(194)	409
Opening cash brought forward		353	(56)
Ending cash carried forward	9	159	353

The notes and accounting policies on pages 6 to 50 form part of and are to be read in conjunction with these financial statements.

Notes and accounting policies

For the year ended 30 June 2008

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 of the 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 ay 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 2008

(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.

This is the first set of disclosure financial statements prepared in accordance with NZ IFRS subject to the Regulations. NZ IFRS 1 *First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied. The disclosure financial statements of the Identified Airport Activities of the company had been prepared in accordance with previous New Zealand Financial Reporting Standards (“NZ FRS”) until 30 June 2007. NZ FRS differs in certain respects from NZ IFRS. When preparing these disclosure financial statements certain accounting policies applied in the prior NZ FRS disclosure financial statements have been changed to comply with NZ IFRS subject to the Regulations. Reconciliations of the impact of adoption of NZ IFRS are provided in note 26.

Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the company for the annual reporting period ended 30 June 2008. These are outlined below:

- *NZ IAS 1 Presentation of Financial Statements (Revised)* is effective for annual reporting periods beginning on or after 1 January 2009. The revised standard introduces the concept of comprehensive income in the presentation of financial statements.
- *NZ IFRS 8 Operating Segments* is effective for annual reporting periods beginning after 1 January 2009. This new standard will replace *NZ IAS 14 Segment Reporting.* The new standard adopts the approach used by management to determine segments.

The adoption of these standards is not expected to have a material impact on the company’s disclosure 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.

(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.

(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.

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, 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, 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 2008

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) Interest-bearing 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 and assets 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 are 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.

Notes and accounting policies

For the year ended 30 June 2008

4. Expenses

	2008 $000	2007 $000
Staff expenses comprise:		
Salaries and wages	17,150	15,903
Other employee benefits	2,502	2,348
Share-based payment (refer note 23)	(3,223)	6,738
Defined contribution superannuation	546	519
Other staff costs	2,629	1,389
	19,604	**26,897**
Other expenses include:		
Audit fees	109	103
Auditor's other attestation fees	112	28
Auditor’s tax compliance fees	126	96
Directors' fees	555	380
Donations	7	37
Doubtful debts written off	-	148
Doubtful debts - change in provision	246	(148)
Loss on disposal of property, plant and equipment	222	449
Finance costs comprise:		
Interest on borrowings	32,283	24,319
Interest capitalised	(4,961)	(1,049)
	27,322	**23,270**
Capitalisation rate for capitalised borrowing costs	8.18%	7.46%

5. Taxation

	2008 $000	2007 $000
(a) Income tax		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	18,595	25,832
Income tax over provided in prior year	(601)	(580)
Deferred income tax		
Movement in deferred tax	1,218	(6,627)
Reduction in corporate tax rate	(73)	1,991
Taxation expense reported in the income statement	19,139	20,616
(b) Deferred taxation taken directly to equity		
Tax effect of movements in the property, plant and equipment revaluation reserve	(1,621)	(4,299)
Reduction in corporate tax rate	121	8,550
Deferred tax credit reported in equity	(1,500)	4,251

	2008 $000	2007 $000
(c) Reconciliation between prima facie taxation and tax expense	60,038	58,196
Profit before taxation	19,812	19,205
Prima facie taxation at 33%		
Adjustments:		
Income tax over provided in prior year	(601)	(580)
Reduction in corporate tax rate	(73)	1,991
Other	1	-
Taxation expense reported in the income statement	19,139	20,616

(d) Deferred tax assets and liabilities

	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**

	Balance 1 July 2006 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2007 $000
Deferred tax liabilities				
Property, plant and equipment	74,866	(2,516)	(4,251)	68,099
Other	945	(674)	-	271
Deferred tax liabilities	75,811	(3,190)	(4,251)	68,370
Deferred tax assets				
Provisions and accruals	2,067	1,421	-	3,488
Deferred tax assets	2,067	1,421	-	3,488
Net deferred tax liability	**73,744**	**(4,611)**	**(4,251)**	**64,882**

The reduction in the corporate tax rate from 33% to 30% effective 1 July 2008 has been taken into account in calculating the value of deferred tax. The effect of the change is recognised in the Income Statement and in Equity consistent with the underlying items that give rise to the deferred tax.

(e) Imputation credits

	2008 $000	2007 $000
Balance at beginning of year	15,730	17,751
Income tax paid	13,916	16,317
Credits attached to dividends paid	(18,960)	(18,337)
Income tax refunded	-	(1)
Balance at end of year	**10,686**	**15,730**

6. Distribution to shareholders

	Dividend payment date	2008 $000	2007 $000
2006 final dividend of 4.45 cps	20 October 2006	-	54,313
2007 interim dividend of 3.75 cps	30 March 2007	-	45,774
2007 final dividend of 4.45 cps	19 October 2007	54,362	-
2008 interim dividend of 5.75 cps	12 March 2008	70,270	-
Total dividends paid		124,632	100,087
Less: amounts attributed to Non Identified Airport Activities		(81,649)	(57,266)
Dividends attributed to Identified Airport Activities		42,983	42,821

Supplementary dividends of $6.054 million (2007: $6.087 million) are not included in the above dividends as the company receives an equivalent tax credit from the Inland Revenue Department.

On 21 August 2008, the directors approved the payment of a 2008 fully imputed final dividend of 2.45 cents per share (4.45 cents per share) to be paid on 24 October 2008. A portion of the final dividend will be attributed to Identified Airport Activities in the subsequent reporting period.

The final dividend for the 2008 financial year is lower than the final dividend for the 2007 financial year due to the increase in the interim dividend for the 2008 year. Total dividends per share (8.20 cents per share) are the same for the 2008 and 2007 financial years.

7. Earnings per share

The earnings used in calculating basic and diluted earnings per share is $40.899 million (2007: $37.580 million).

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

	2008 Shares	2007 Shares
For basic earnings per share	1,222,070,112	1,220,945,388
Effect of dilution of share options	637,847	281,603
For dilutive earnings per share	1,222,707,959	1,221,226,991

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.

Notes and accounting policies

For the year ended 30 June 2008

8. Property, plant and equipment

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

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**

Year ended 30 June 2007

	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 2006						
At fair value	551,356	251,476	101,620	251,961	-	1,156,413
At cost	-	-	-	-	43,006	43,006
Work in progress at cost	-	11,099	2,301	2,894	592	16,886
Accumulated depreciation	-	-	-	-	(34,999)	(34,999)
Balances as at 1 July 2006	**551,356**	**262,575**	**103,921**	**254,855**	**8,599**	**1,181,306**
Additions	816	47,289	6,327	9,254	3,608	67,294
Disposals	-	-	(160)	(312)	(54)	(526)
Reclassifications due to allocation changes	8,346	31,335	(854)	(851)	98	38,074
Depreciation	-	(15,800)	(4,219)	(10,299)	(2,883)	(33,201)
Movement to 30 June 2007	**9,162**	**62,824**	**1,094**	**(2,208)**	**769**	**71,641**
Balances as at 30 June 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 30 June 2007	**560,518**	**325,399**	**105,015**	**252,647**	**9,368**	**1,252,947**

Notes and accounting policies

For the year ended 30 June 2008

Additions for the year ended 30 June 2008 include capitalised interest of $4.961 million (2007: $1.049 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, site improvements on commercial properties and car park facilities 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

Notes and accounting policies

For the year ended 30 June 2008

(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:

	2008 $000	2007 $000
Land		
Cost	120,766	120,693
Accumulated depreciation	-	-
Net carrying amount	**120,766**	**120,693**
Buildings and services		
Cost	499,233	402,787
Accumulated depreciation	(203,284)	(185,996)
Net carrying amount	**295,949**	**216,791**
Infrastructure		
Cost	96,999	84,384
Accumulated depreciation	(28,882)	(25,170)
Net carrying amount	**68,117**	**59,214**
Runway, taxiways and aprons		
Cost	272,343	263,068
Accumulated depreciation and impairment	(106,033)	(96,075)
Net carrying amount	**166,310**	**166,993**

9. Cash

	2008 $000	2007 $000
Cash and bank balances	159	353

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 8.25% (2007: 7.25% to 8.00%).

10. Receivables

	2008 $000	2007 $000
Trade receivables	2,621	2,073
Less: Provision for doubtful debts	(2)	(53)
Net trade receivables	2,619	2,020
Revenue accruals and other receivables	9,301	6,799
	11,920	8,819

Notes and accounting policies

For the year ended 30 June 2008

11. Issued and paid-up capital

The number of issued and paid up shares as at 30 June 2008 was 1,222,295,239 (2007: 1,221,690,439).

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:

	2008 $000	2007 $000
Opening issued and paid-up capital at 1 July	197,582	196,512
Options exercised during the year	824	1,070
Closing issued and paid-up capital at 30 June	198,406	197,582

12. Retained earnings and reserves

(a) Movements in retained earnings were:

	2008 $000	2007 $000
Balance at 1 July	(38,094)	(33,609)
Profit after taxation	40,899	37,580
Ordinary dividends paid	(42,983)	(42,821)
Reclassification from revaluation reserve	444	756
Balance at 30 June	(39,734)	(38,094)

(b) Property, plant and equipment revaluation reserve

	2008 $000	2007 $000
Balance at the beginning of the year	639,040	614,732
Reclassification to retained earnings	(444)	(756)
Property, plant and equipment revaluation movements due to allocation changes	5,156	20,813
Movement in deferred tax	(1,500)	4,251
Balance at the end of the year	642,252	639,040

(c) Share-based payments

	2008 $000	2007 $000
Balance at the beginning of the year	736	674
Employee share purchase plan	-	16
Executive share option plan	27	46
Balance at the end of the year	**763**	**736**

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.

Notes and accounting policies

For the year ended 30 June 2008

(d) Cash flow hedge reserve

	2008 $000	2007 $000
Balance at the beginning of the year	4,843	847
Fair value change in hedging instrument	(985)	4,127
Transfer to income statement	(2,191)	(131)
Balance at the end of the year	**1,667**	**4,843**

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

	2008 $000	2007 $000
Employee entitlements	3,853	4,282
Phantom option plan accrual (refer note 23)	1,367	6,372
GST payable	670	1,231
Property, plant and equipment retentions and payables	9,067	11,574
Trade payables	439	343
Other payables and accruals	12,075	12,891
Total accounts payable and accruals	**27,471**	**36,693**

14. Borrowings

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

	Maturity	Coupon	2008 $000	2007 $000
Current				
Money market	Overnight	Floating	32,800	23,600
Commercial paper	< 3 months	Floating	193,123	193,075
Floating rate notes	16/07/2007	Floating	-	59,000
Bonds	16/07/2007	7.50%	-	26,287
Bonds	16/07/2007	6.53%	-	15,080
Bonds	15/11/2008	7.50%	36,907	-
Bonds	15/11/2008	6.64%	37,963	-
Total short-term borrowings			300,793	317,042
Non-current				
Bridge facility	15/11/2008	Floating	-	75,000
Bank facility	10/03/2010	Floating	125,000	-
Bank facility	10/03/2011	Floating	45,000	-
Bank facility	31/01/2012	Floating	275,000	145,000
Floating rate notes	29/07/2009	Floating	8,100	8,100
Floating rate notes	29/11/2011	Floating	5,000	5,000
Bonds	15/11/2008	7.50%	-	36,314
Bonds	15/11/2008	6.64%	-	37,403
Bonds	29/07/2009	6.67%	65,709	64,525
Bonds	29/07/2011	6.83%	67,918	66,148
Bonds	07/11/2012	7.19%	50,000	50,000
Bonds	07/11/2015	7.25%	100,000	100,000
Total term borrowings			741,727	587,490

Notes and accounting policies

For the year ended 30 June 2008

	2008 $000	2007 $000
Total		
Money market	32,800	23,600
Commercial paper	193,123	193,075
Bridge facility	-	75,000
Bank facilities	445,000	145,000
Floating rate notes	13,100	72,100
Bonds	358,497	395,757
Total borrowings	1,042,520	904,532
Summary of maturities		
Due less than 1 year	300,793	317,042
Due 1 to 2 years	198,809	148,717
Due 2 to 3 years	45,000	72,625
Due 3 to 4 years	347,918	-
Due 4 to 5 years	50,000	216,148
Due greater than 5 years	100,000	150,000
	1,042,520	904,532

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 October 2006, the company established a bridge facility with the Bank of New Zealand for up to $175.000 million to fund the bond maturities on 15 November 2006 and 16 July 2007. The bridge facility was due to expire on 15 November 2008. The bridge facility was fully prepaid and cancelled on 10 April 2008.

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 expires on 9 March 2009. 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. This stand-by facility agreement replaced a $100.000 million stand-by facility with Bank of New Zealand.

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.

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

Floating rate notes are based on the 90 day bank bill rate plus a margin of 15 to 32 basis points. During the year ended 30 June 2008 the range of interest rates has been between 8.31% and 9.21% (2007: 7.65% and 8.39%). Commercial paper rates are set through a tender process and during the year ended 30 June 2008 the range of interest rates has been between 8.02% and 9.30% (2007: 7.44% and 8.39%). The rates on bank facilities during the year have been between 8.29% and 9.66% (2007: 7.72% and 8.66%). The bridge facility rates during the year have been between 8.33% and 9.05% (2007: 7.65% and 8.33%). The money market rates during the year ended 30 June 2008 have been between 8.05% and 9.20% (2007: 7.30% and 8.05%).

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

	2008 $000	2007 $000
Current		
Money market	12,149	9,470
Commercial paper	71,534	77,430
Floating rate notes	-	23,676
Bonds	27,731	16,600
Total short-term borrowings	111,414	127,176
Non-current		
Bridge facility	-	30,097
Bank facility	192,442	58,187
Floating rate notes	5,665	5,257
Bonds	122,657	142,130
Total term borrowings	320,764	235,671
Total borrowings attributed to Identified Airport Activities	432,178	362,847
Borrowings attributed to Non-Identified Airport Activities	610,342	541,685
Total borrowings of the company	1,042,520	904,532

Undrawn bank, bridge 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:

	2008 $000	2007 $000
Current assets		
Interest rate swaps – cash flow hedges	121	-
Interest rate swaps – fair value hedges	-	287
Total	**121**	**287**
Non-current assets		
Interest rate swaps– cash flow hedges	2,895	5,002
Interest rate swaps – fair value hedges	-	-
Total	**2,895**	**5,002**
Current liabilities		
Interest rate swaps– cash flow hedges	-	-
Interest rate swaps – fair value hedges	310	-
Total	**310**	**-**
Non-current liabilities		
Interest rate swaps– cash flow hedges	920	-
Interest rate swaps – fair value hedges	636	2,453
Total	**1,556**	**2,453**

Notes and accounting policies

For the year ended 30 June 2008

Cash flow hedges
At 30 June 2008, 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 2008 is $198.767 million (2007: $89.986 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 2008, 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 2008 is $87.766 million (2007: $101.605 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:

	2008 $000	2007 $000
Gains / (losses) on the fixed interest bonds	(1,553)	1,885
Gains / (losses) on the derivatives	1,553	(1,885)

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

	2008 $000	2007 $000
Profit after taxation	40,899	37,580
Non-cash items:		
Depreciation	37,133	33,201
Bad debts and doubtful debts	246	-
Deferred taxation expense	1,149	(4,611)
Share based payments	27	62
Items not classified as operating activities:		
Loss on asset disposals	222	449
(Increase) / decrease in property, plant and equipment retentions and payables	2,508	(3,263)
Increase / (decrease) in employee share purchase loan	-	90
Movement in working capital:		
(Increase) / decrease in current assets	(3,448)	(152)
(Increase) / decrease in taxation receivable	(995)	13
Increase / (decrease) in accounts payable	(7,607)	17,215
Increase / (decrease) in commercial paper discount	18	(66)
Net cash flow from operating activities	70,152	80,518

17. Financial instruments

Fair value
The company's financial instruments that are assets comprise cash and bank balances, accounts receivable and other non-current assets. These are classified as loans and receivables.

The company's financial instruments that are liabilities comprise accounts payable, borrowings, other term liabilities. These are classified as financial liabilities at amortised cost.

Notes and accounting policies

For the year ended 30 June 2008

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 bank, accounts receivable, derivative financial instruments, bank overdraft, accounts payable, money market borrowings, stand-by facilities, commercial paper, bridge facility, bank facilities and floating rate notes.

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

	Carrying Value 2008 $000	Fair Value 2008 $000	Carrying Value 2007 $000	Fair Value 2007 $000
Bonds	150,388	147,792	158,730	158,311

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.

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 primarily 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 (2007: 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, 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 2008, this facility headroom for the company was $380.000 million (2007: $330.000 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.

Notes and accounting policies

For the year ended 30 June 2008

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**

As at 30 June 2007

	< 1 year $000	1 to 3 years $000	3 to 5 years $000	>5 years $000	Total $000
Money market	23,600	-	-	-	23,600
Commercial paper	195,000	-	-	-	195,000
Bridge facility	-	75,000	-	-	75,000
Bank facilities	-	-	145,000	-	145,000
Floating rate notes	59,000	8,100	5,000	-	72,100
Bonds	41,384	142,325	70,000	150,000	403,709
Interest	47,690	69,092	48,770	27,173	192,725
Current derivative assets	(671)	-	-	-	(671)
Term derivative assets	(3,868)	(6,255)	(3,052)	(1,975)	(15,150)
Term derivative liabilities	3,816	3,178	(153)	-	6,841
Total	**365,951**	**291,440**	**265,565**	**175,198**	**1,098,154**
Attributed to Identified Airport Activities	146,472	116,495	106,257	70,118	439,342
Attributed to Non-Identified Airport Activities	219,479	174,945	159,308	105,080	658,812
Total	**365,951**	**291,440**	**265,565**	**175,198**	**1,098,154**

(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.

Notes and accounting policies

For the year ended 30 June 2008

At year-end 58% (2007: 41%) of the 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 hedged forecast future interest payments are expected to occur at various dates between one month and ten years from 30 June 2008.

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.

	2008 $000	2007 $000
Increase in interest rate of 1%		
Effect on profit before tax	(1,660)	(1,998)
Effect on retained earnings	(1,113)	(1,339)
Effect on cash flow hedge reserve	5,776	3,148
Decrease in interest rates of 1%		
Effect on profit before tax	1,660	1,998
Effect on retained earnings	1,113	1,339
Effect on cash flow hedge reserve	(6,136)	(3,302)

(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 2008 is 34.0% (2007: 31.1%). The current long-term credit rating of Auckland Airport by Standard and Poor's at 30 June 2008 is A Negative Outlook (2007: 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 $51.611 million at balance date (2007: $52.120 million) principally relating to the northern runway development and construction of Pier B at 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 20 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:

	2008 $000	2007 $000
Within one year	8,603	8,159
After one year but no more than five years	24,090	20,860
After more than five years	22,160	13,642
Total minimum lease payments receivable	**54,853**	**42,661**

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 first stage is expected to be operational sometime around the end of 2010 or 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 $0.279 million (relating to the 2008 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 $9.0 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. 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.

Air New Zealand judicial review

In July 2007, Air New Zealand issued judicial review proceedings against the company in relation to the setting of new airport charges including the replacement of the airport development charge with a passenger services charge payable by the airlines. The company refutes Air New Zealand's claim and is vigorously defending the

Notes and accounting policies

For the year ended 30 June 2008

proceedings. The directors believe that the aeronautical pricing consultation process conducted by the company and its outcomes will be upheld in the proceedings.

There were no other contingent liabilities outstanding at 30 June 2008 (2007: Nil).

21. Provisions for noise mitigation

Over March and April 2005, the company made acoustic treatment offers to the owners of 470 existing homes, two pre-schools and Puhinui School in respect of existing buildings. Those offers have now expired with acceptances received from 46 houses and Puhinui School.

In October and November 2006, the company made offers to the owners of a further 750 homes and to Clover Park School, Redoubt North School and South Auckland Seventh Day Adventist School. Those offers have now expired with acceptances received from 153 houses, Clover Park School and South Auckland Seventh Day Adventist School. Acoustic treatment works at South Auckland Seventh Day Adventist School were completed in April 2008 and work is currently underway at Clover Park School.

In April 2008, the company made offers to the owners of a further 241 homes. These offers are open for 12 months. As at 30 June 2008, the company has received acceptances from the owners of 13 homes.

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.

	2008 **$000**	**2007** **$000**
Opening balance	3,062	2,894
Provisions made in the period	3,169	2,411
Unused amounts reversed in the period	(1,318)	(899)
Expenditure in the period	(1,748)	(1,344)
	3,165	**3,062**

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 2008, the Company has not made any allowance for impairment loss relating to amounts owed by related parties (2007: 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.

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For the year ended 30 June 2008

(b) Key management personnel compensation

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

	2008 $000	2007 $000
Directors' fees	555	380
Senior management's salary and other short-term benefits	3,002	2,119
Senior management's share-based payment	(2,950)	5,194
Total key management personnel compensation	**607**	**7,693**

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:

	2008 $000	2007 $000
Expenses from equity-settled share-based payments		
Employee share purchase plan	-	16
Executive share option plan	21	45
Expense from cash-settled share-based payments		
Phantom option plan	(3,244)	6,677
Total expense from share-based payment transactions	**(3,223)**	**6,738**

(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 $0.025 million (2007: $0.010 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 are J C Nicholl, R G Sinclair and C F Spillane. J C Nicholl is the general manager of people and performance, R G Sinclair is the chief financial officer and C F Spillane is general counsel and corporate secretary of Auckland International Airport Limited. They are appointed and can be removed by the company.

Notes and accounting policies

For the year ended 30 June 2008

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:

	2008 Shares	2007 Shares
Employee allocation - May 2004		
Opening balance	5,460	270,960
Shares forfeited during the year	-	(14,340)
Shares fully paid and allocated during the year	(5,460)	(251,160)
Balance at end of year	-	**5,460**

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.

	2008 Shares	2007 Shares
Unallocated shares held by the plan		
Balance of unallocated shares from November 1999 share allocation	91,584	91,584
Opening balance of unallocated shares from May 2004 share allocation	54,560	40,220
Shares forfeited to the plan during the year	-	14,340
Balance at end of year	54,560	54,560
Total unallocated shares held by the plan	146,144	146,144
Total ordinary shares held at 30 June	**146,144**	**151,604**

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 a share split adjustment, are $0.73 and $1.29 respectively.

Shares held by the purchase plan represent 0.012% (2007: 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.

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.

Notes and accounting policies

For the year ended 30 June 2008

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

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

For the year ended 30 June 2007

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
08/09/2000	30/10/2006	1.02	158,400	158,400	-	-
06/09/2001	31/10/2007	1.34	777,600	403,200	374,400	374,400
09/09/2002	29/11/2008	1.46	1,512,000	619,200	892,800	892,800
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	-
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
			5,088,000	1,180,800	3,907,200	2,907,200
Weighted average exercise price per share			2.01	1.93	2.47	2.43

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 1.10 years (2007: 1.89 years).

The exercise price for options outstanding at the end of the year ranged from 1.53 to 1.80 (2007: 1.97 to 2.65).

There were no options issued during the year ended 30 June 2008 (2007: 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 2007.

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 2007 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.

As at 30 June 2008 the fair value of the cash-settled phantom plans attributable to Identified Airport Activities is $1.367 million (2007: $6.372 million) and full provision has been made in the financial statements. The significant increase in the accrued cost in 2007 was due to the considerable rise in the company's share price during that year. The fair value of the phantom plans has decreased significantly during 2008 due to the subsequent fall in the company's share price. The 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 $2.770 million during the year ended 30 June 2008 (2007: Nil).

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 2008 and 30 June 2007:

	Assumptions 2008	**Assumptions 2007**
Expected volatility (%)	22.6%	19.6%
Risk-free interest rate (%)	6.4%	7.1%
Share price at measurement date ($)	1.95	3.28

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:

Auckland International Airport Limited
Identified Airport Activities

Notes and accounting policies

For the year ended 30 June 2008

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 assets before interest and tax expense	4.8%	10.7%	4.8%	6.7%
Return on assets after tax but before interest	3.3%	7.2%	3.3%	4.5%

Notes and accounting policies

For the year ended 30 June 2008

Information on Identified Airport Activities 30 June 2007

	Identified Airfield Activities $000	Identified Passenger Terminal Activities $000	Identified Aircraft and Freight Activities $000	Total Identified Airport Activities $000
Operating revenue				
Airfield income	66,266	-	-	66,266
Passenger services charge	-	64,389		64,389
Terminal services charge	-	21,888	-	21,888
Other income	1,065	11,317	5,128	17,510
Total revenue	67,331	97,594	5,128	170,053
Operating expenses				
Staff	12,661	13,800	436	26,897
Repairs and maintenance	2,304	14,922	248	17,474
Rates and insurance	1,104	1,479	79	2,662
Other	3,787	4,392	174	8,353
Total operating expenses	19,856	34,593	937	55,386
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	47,475	63,001	4,191	114,667
Depreciation	13,933	18,296	972	33,201
Earnings before interest and taxation (EBIT)	33,542	44,705	3,219	81,466
Interest expense and other finance costs	15,253	6,295	1,722	23,270
Profit before taxation	18,289	38,410	1,497	58,196
Taxation expense	6,609	13,417	590	20,616
Profit after taxation	11,680	24,993	907	37,580
Total assets employed	771,954	388,654	113,436	1,274,044
Average total assets for year	770,754	355,781	109,431	1,235,966
Return on assets before interest and tax expense	4.4%	12.6%	2.9%	6.6%
Return on assets after tax but before interest	2.8%	8.2%	1.9%	4.3%

25. Events subsequent to balance date

Final Dividend

On 21 August 2008, the directors approved the payment of a fully imputed final dividend of 2.45 cents per share amounting to $29.946 million to be paid on 24 October 2008. 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 2008

26. Impact of adoption of New Zealand Equivalents to International Financial Reporting Standards

Explanation of transition to NZ IFRS

As stated in note 2, these are the company's first financial statements prepared in accordance with NZ IFRS.

In preparing the comparative figures, the company has adjusted the amounts reported previously in financial statements prepared in accordance with NZ FRS.

As permitted under NZ IFRS 1 *First-Time Adoption of New Zealand Equivalents to International Financial Reporting Standards*, the following elections and exemptions, as applicable to the company, have been applied:

i) Business combinations

The classification and accounting treatment of business combinations that occurred prior to 1 July 2006 has not been reconsidered in preparing the company's opening NZ IFRS balance sheet as at 1 July 2006.

ii) Share-based payment transactions

The company has elected to take the option not to apply NZ IFRS 2 *Share-based Payment* to equity instruments granted on or before 7 November 2002 or to those granted after 7 November 2002 that vested before the transition date of 1 July 2006.

Impacts of the adoption of NZ IFRS

A reconciliation of the Identified Airport Activities equity and the profit from the previous NZ FRS financial statements and that reported under NZ IFRS are set out in the following tables and the notes that accompany the tables.

There are no material differences between the cash flow statement presented under NZ IFRS and that presented under previous NZ FRS.

Effect of NZ IFRS on the income statement

		12 months ended 30 June 2007		
	Notes	**NZ FRS $000**	**Adjustments $000**	**NZ IFRS $000**
Total operating revenue		170,053	-	170,053
Total operating expenses	(d)(e)	55,330	56	55,386
Total EBITDA		114,723	(56)	114,667
Depreciation		33,201	-	33,201
EBIT		81,522	(56)	81,466
Interest expense and other finance costs	(c)	23,273	(3)	23,270
Profit before taxation		58,249	(53)	58,196
Taxation expense	(a)	19,222	1,394	20,616
Profit after taxation		39,027	(1,447)	37,580

Notes and accounting policies

For the year ended 30 June 2008

Effect of NZ IFRS on the balance sheet

	Notes	As at 30 June 2007 NZ FRS $000	Adjustments $000	NZ IFRS $000
Non-current assets				
Property, plant and equipment		1,252,947	-	1,252,947
Derivative financial instruments	(c)	-	5,002	5,002
Other non-current assets		522	-	522
		1,253,469	5,002	1,258,471
Current assets				
Cash		353	-	353
Inventories		77	-	77
Prepayments	(c)	2,678	(809)	1,869
Accounts receivable		8,819	-	8,819
Taxation receivable		4,168	-	4,168
Derivative financial instruments	(c)	-	287	287
		16,095	(522)	15,573
Total assets		1,269,564	4,480	1,274,044
Shareholders' equity				
Issued and paid-up capital		197,582	-	197,582
Retained earnings	(a)-(e)	(15,809)	(22,285)	(38,094)
Property, plant and equipment revaluation reserve	(a)(b)	689,049	(50,009)	639,040
Share based payment reserve	(d)	-	736	736
Cash flow hedge reserve	(c)	-	4,843	4,843
		870,822	(66,715)	804,107
Non-current liabilities				
Term borrowings	(a)(c)	234,983	688	235,671
Derivative financial instruments	(c)	-	2,453	2,453
Deferred tax liability	(a)	-	64,882	64,882
		234,983	68,023	303,006
Current liabilities				
Accounts payable and accruals	(c)(e)	34,810	1,883	36,693
Short-term borrowings	(a)(c)	125,887	1,289	127,176
Provision for noise mitigation		3,062	-	3,062
		163,759	3,172	166,931
Total equity and liabilities		1,269,564	4,480	1,274,044

Notes and accounting policies

For the year ended 30 June 2008

	Notes	NZ FRS $000	As at 1 July 2006 Adjustments $000	NZ IFRS $000
Non-current assets				
Property, plant and equipment		1,181,306	-	1,181,306
Derivative financial instruments	(c)	-	962	962
Other non-current assets		431	-	431
		1,181,737	962	1,182,699
Current assets				
Inventories		62	-	62
Prepayments	(c)	1,785	(743)	1,042
Accounts receivable		9,600	-	9,600
Taxation receivable		4,181	-	4,181
Derivative financial instruments	(c)	-	360	360
		15,628	(383)	15,245
Total assets		1,197,365	579	1,197,944
Shareholders' equity				
Issued and paid-up capital		196,512		196,512
Retained earnings	(a)-(e)	(11,715)	(21,894)	(33,609)
Property, plant and equipment revaluation reserve	(a)(b)	667,936	(53,204)	614,732
Share based payment reserve	(d)	-	674	674
Cash flow hedge reserve	(c)	-	847	847
		852,733	(73,577)	779,156
Non-current liabilities				
Term borrowings	(c)	221,948	(1,214)	220,734
Derivative financial instruments	(c)	-	377	377
Deferred tax liability	(a)	-	73,744	73,744
		221,948	72,907	294,855
Current liabilities				
Bank overdraft		56	-	56
Accounts payable and accruals	(c)(e)	23,757	1,946	25,703
Short-term borrowings	(c)	95,977	(743)	95,234
Derivative financial instruments	(c)	-	46	46
Provision for noise mitigation		2,894	-	2,894
		122,684	1,249	123,933
Total equity and liabilities		1,197,365	579	1,197,944

(a) Deferred taxation

Under NZ IFRS, the deferred tax liability is calculated using a "balance sheet" approach, which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of balance sheet items. The previous NZ FRS approach recognised the differences between the accounting surplus and taxable income.

Under previous NZ FRS, the company accounted for deferred taxation using the partial basis which meant that a deferred tax liability was recognised only to the extent that it was expected to crystallise in the foreseeable future. The partial basis of accounting for deferred taxation is not allowed under NZ IFRS. The most significant impact on transition to NZ IFRS was the recognition of a deferred tax liability in respect of the revaluation of property, plant and equipment. As a result of accounting for deferred tax under NZ IFRS the tax expense has been required to be reallocated across the Identified and non-Identified Airport Activities which in turn impacts on the allocation of borrowings.

The effects of this change are:

- On transition to NZ IFRS as at 1 July 2006, a deferred tax liability was recognised in the balance sheet of $73.744 million, the property, plant and equipment revaluation reserve decreased by $89.752 million and opening retained earnings increased by $16.008 million.
- As at 30 June 2007, a deferred tax liability was recognised in the balance sheet of $64.882 million, the property, plant and equipment revaluation reserve decreased by $85.501 million, retained earnings increased by $14.614 million and borrowings increased by $6.005 million. For the year ended 30 June 2007, a deferred tax benefit of $4.611 million was recorded offset by a reallocation of the tax expense of $6.005 million.

(b) Property, plant and equipment

The company revalues land, buildings, runways, taxiways, and aprons and infrastructure assets on a cyclical basis at a minimum of once every five years. Revaluation increases and decreases under NZ FRS were recognised on a class-by-class basis. Under NZ IFRS offsetting of revaluation increases and decreases on individual assets within a class of property, plant and equipment is not permitted. Changes arising from this requirement will result in increased volatility of earnings because revaluation decreases below historical cost for individual assets are required to be recognised in the income statement.

The effects of this change are:

- On transition to NZ IFRS, as at 1 July 2006 the property, plant and equipment revaluation reserve increased and retained earnings decreased by $36.548 million.
- As at 30 June 2007, the property, plant and equipment revaluation reserve increased and retained earnings decreased by $35.492 million.

(c) Hedge accounting

The company uses derivatives to manage its interest rate risks.

Under NZ IFRS, all derivative financial instruments are recognised at fair value in the balance sheet. Changes in the fair value of the derivatives are recognised in the income statement unless strict hedge accounting criteria are met. If the criteria are met for cash flow hedge accounting, the unrealised gain or loss on the hedging derivative is deferred within equity and released to the income statement at the same time as the transaction it is hedging. If the criteria are met for fair value hedge accounting, the hedged item is also recognised at fair value and both the change in the fair value of the derivative and of the hedged item are recognised in the income statement.

The effects of this change are:

- On transition to NZ IFRS as at 1 July 2006, assets increased by net $0.579 million (long-term derivative assets increased by $0.962 million, short-term derivative assets increased by $0.360 million and prepayments decreased by $0.743 million), liabilities decreased by net $0.266 million (long-term derivative liabilities increased by $0.377 million, short-term derivative liabilities increased by $0.046 million, borrowings decreased by $1.957 million, accounts payable and accruals increased by $1.268 million), the cash flow hedge reserve increased by $0.847 million and retained earnings decreased by $0.003 million.
- As at 30 June 2007, assets increased by net $4.480 million (long-term derivative assets increased by $5.002 million, short-term derivative assets increased by $0.287 million and prepayments decreased by $0.809 million), liabilities decreased by net $0.367 million (long-term derivative liabilities increased by $2.453 million, borrowings decreased by $4.028 million, accounts payable and accruals increased by $1.208 million), and the cash flow hedge reserve increased by $4.843 million. For the year ended 30 June 2007, surplus after taxation increased by $0.003 million.

Notes and accounting policies

For the year ended 30 June 2008

(d) Share-based remuneration

Under NZ IFRS, the effect of all share-based payment transactions must be reflected in the income statement and the balance sheet.

The company has issued share options and phantom shares and options to executives as part of executive remuneration. An employee share purchase plan, (a DF7 plan under the Income Tax Act 1994), is also in place to assist employees to become equity holders in the company. The shares are usually offered to employees at a discount to market value at the time of issue. Under previous NZ FRS, the company did not recognise an expense in respect of the share option scheme or the employee share purchase plan.

The employee share purchase plan and executive share option plan are equity-settled. For the employee share purchase plan, NZ IFRS requires that, at grant date, the discount to market value at the time of issue of the shares is measured and expensed over the period the employee provides the related services. For the executive share option plan, NZ IFRS requires that, at grant date, the fair value of the options is also measured and expensed over the period the employee provides the related services. In subsequent periods adjustments are only made to reflect changes in the number of shares or options expected to vest or that have vested. The company has taken up an allowed exemption for share options, on transition to NZ IFRS, to apply the change only to options granted subsequent to 7 November 2002.

The effects of this change are:

- On transition to NZ IFRS as at 1 July 2006, opening retained earnings decreased by $0.674 million and the share-based payment reserve within shareholders' equity increased by the equivalent amount.
- As at 30 June 2007, retained earnings decreased by $0.736 million and the share-based payment reserve within shareholders' equity increased by the equivalent amount. For the year ended 30 June 2007, profit before tax decreased by $0.062 million.

The phantom share and option plans are considered cash-settled. For cash-settled transactions, the fair value of the liability is measured at each reporting date and at the date of settlement, with any changes in fair value recognised in the income statement. This approach is consistent with the previous accounting treatment for the phantom share and option plans under NZ FRS.

(e) Employee benefits

Under NZ FRS, the company recognised a liability when long-service leave was fully vested. Under NZ IFRS, long-service leave is accrued as it is earned. The liability is measured using an actuarial technique to reflect the probability that payment will be required.

On adoption of NZ IFRS, long-service leave not yet vested and a portion of unused sick leave entitlements earned and expected to be paid in the future was recognised as a liability and as a charge against earnings.

The effects of this change are:

- On transition to NZ IFRS as at 1 July 2006, liabilities increased by $0.678 million and opening retained earnings decreased by the equivalent amount.
- As at 30 June 2007, liabilities increased by $0.672 million and retained earnings decreased by the equivalent amount. For the year ended 30 June 2007, profit before tax increased by $0.006 million.

Auckland International Airport Limited
Identified Airport Activities

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2008

1. Current charges for Identified Airport Activities

1.1 Charges for Airfield Activities

Airfield landing charges are based on maximum certified takeoff weight (MCTOW) in tonnes or part thereof. The charge covers use of runway, taxiway and apron areas (excluding parking) and Airport Emergency Services.

		Period to 31 August 2007	Period from 1 September 2007 to 30 June 2008
Aircraft under 3 tonnes, for operators with 25 flights or more per month	per landing	14.11	N/A
Aircraft under 3 tonnes, for operators with less than 25 flights per month	per landing	28.22	N/A
Aircraft over 3 tonnes and under 6 tonnes for operators with 25 flights or more per month	per tonne	4.85	N/A
Aircraft over 3 tonnes and under 6 tonnes, for operators with less than 25 flights per month	per landing	28.22	N/A
Aircraft less than 6 tonnes	per landing	N/A	50.00
Aircraft over 6 tonnes and under 40 tonnes	per tonne	7.34	7.52
Aircraft 40 tonnes and higher			
• International flights	per tonne	11.85	12.15
• Domestic flights	per tonne	12.91	12.50

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

	Period to 31 August 2007	Period from 1 September 2007 to 30 June 2008
Aircraft under 6 tonnes		
• Parking in excess of 6 hours	50.00	100.00
Aircraft over 6 tonnes and under 40 tonnes		
• Parking in excess of 6 hours but less than 5 days	75.00	76.88
• Parking in excess of 5 days but less than 10 days	100.00	102.50
• Parking in excess of 10 days	150.00	153.75
Aircraft 40 tonnes and higher		
• Parking in excess of 6 hours but less than 5 days	100.00	102.50
• Parking in excess of 5 days but less than 10 days	250.00	256.25
• Parking in excess of 10 days	500.00	512.50

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2008

1.2 Charges for Specified Passenger Terminal Activities

Passenger use of terminal areas is recovered by two charges, the passenger services charge and the terminal services charge. Revenues allocated to passenger terminal charges from these mechanisms for FY08 was $66.952 million and $22.897 million respectively.

Passenger Services Charge – Passenger charge
For the twelve months ended 30 June 2008 departing international passengers were charged $25.00 (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.

Terminal Services Charge – Airline 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 service charge for FY08 was $3.27 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.

Other 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.

1.3 Charges for Aircraft and Freight Activities

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 0.0019 per litre that passes through the line.

1.4 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 2008

Approach used to determine charges effective from 1 September 2007 (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 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 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 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 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).

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2008

- o 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 business 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 allocated using an estimation of their primary purpose and usage, excluding through traffic.
- 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 business 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 for charges in place for the majority for charges relevant to the financial year ended 30 June 2008 and the comparative financial year ended 30 June 2007.

Aeronautical WACC assessment effective 1 September 2007 for both airfield and terminal charges.

	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%
Post tax market risk premium	7-8%	7-8%
Company tax rate	33%	30%
Debt premium	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%

Aeronautical WACC assessments for charges in place for landing charges and the passenger services charge up to 30 August 2007.

	WACC upon which landing charges were set in year 2000	WACC for passenger services charge re-set 1 October 2005
Risk free rate	6.97%	6.2%
Post tax market risk premium	9%	7.0-7.5%
Company tax rate	33%	33%
Debt margin	1%	1.07-1.17%
Debt to debt plus equity ratio	40%	25%-35%
Asset beta	0.4-0.5	0.6-0.8
Nominal after tax WACC range	8.5-9.4%	8.5-10.4%

These most recent WACC inputs were defined as follows:

Risk free rate: The risk-free rate is based 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.

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2008

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.

4. Statistical Information

All statistical information relates to Identified Airport Activities.

4.1 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 2008
B763	4,146
A320	3,166
B772	2,957
B744	2,306
B738	1,701
A343	1,299
B773	611
B734	536
B733	426
A345	365
A342	354
A346	268
A332	260
B722	241
B77W	165
B737	116
B743	98
B732	6
A333	1
CVLT	1
GLF4	1
GLF5	1
H25B	1
MD11	1
Total	**19,027**

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 2008
B733	17,040
B190	16,038
DH8C	11,593

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2008

AT72	2,306
B738	1,613
B734	885
A320	858
CVLT	733
TRIS	713
JS32	473
B732	414
SW4B	373
F27	278
B772	228
SF34	72
PA31	11
B763	6
B744	3
B737	1
Total	**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 2008
BN2P	2,031
P68	203
PA32	138
PA27	133
C172	8
R44	1
Total	**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 2008
Various aircraft types	4,538

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

	Number of landings 2008
Scheduled International	19,027
Scheduled Domestic >= 3000 kg	53,638
Scheduled Domestic < 3000 kg	2,514
Unscheduled and other landings	4,538
Total number of arrivals	**79,717**
Total number of flight movements	**159,627**

4.7 Interruptions

The total number and duration of planned and unplanned interruptions during the period 1 July 2007 to 30 June 2008 is shown below.

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 has been defined as a withdrawal of service by the company, which in turn results in a loss of services to the customer for a period of 15 minutes or longer.

Runway services:

Planned
There was one instance when runway services were unavailable for use by aircraft due to repairs and maintenance work on the runway. The services were interrupted for a total duration of 20 minutes.

Unplanned
There were nine instances when runway services were unavailable for use by aircraft. The services were interrupted for a total duration of 2 hours and 20 minutes.

Airbridge services:

Planned
There was one instance when airbridge services were unavailable for one hour.

Unplanned
There were 48 instances totalling 431 hours and 50 minutes of unplanned interruptions when airbridge services were unavailable due to maintenance and work on airbridges. Seven of these interruptions totalled 346 hours.

Baggage handling services:

Planned
There were no instances of planned interruptions when the baggage handling system was unavailable to customers.

Unplanned
There were 130 instances totalling 5 days, 15 hours and 45 minutes of unplanned interruptions when the baggage handling system was unavailable to customers.

Year ended 30 June 2008

	Planned interruptions		**Unplanned interruptions**	
	Number	**Total duration (hh:mm)**	**Number**	**Total duration (hh:mm)**
Runway services	1	00:20	9	2:20
Airbridge services	1	01:00	48	431:50
Baggage handling systems	-	-	130	135.45

Year ended 30 June 2007

	Planned interruptions		**Unplanned interruptions**	
	Number	**Total duration (hh:mm)**	**Number**	**Total duration (hh:mm)**
Runway services	1	00:30	10	3:30
Airbridge services	2	12:00	25	64:25
Baggage handling systems	-	-	53	72:00

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2008

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

	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**

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 financial statements on pages 1 to 50 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 its financial position as at 30 June 2008. 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 2008 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 financial statements, and
- whether the accounting policies are appropriate to the company's 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 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 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 1 to 50 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 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 2008 and the results of its operation 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 26 November 2008 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
AUCKLAND, NEW ZEALAND