Auckland Airport

Annual Report 2008

We're in a great place...

A great place to welcome the world.

A great place financially.

A great place from which to grow.

A great place to be.

Auckland Airport is well positioned for the future. Over the last five years we have been busy expanding and upgrading New Zealand's airport. We have done the groundwork necessary to honour our commitment and responsibility, as New Zealand's premier airport, to represent our country well. Despite challenges faced during the year, Auckland Airport has remained focused on our long-term goals. By keeping our focus on the future, we have come through less certain times as a robust and secure business. Today, we are in great financial shape and good heart. We are a secure long-term growth investment. We have invested well in long-term airport infrastructure. We are continually improving the travel experience. We have a solid balance sheet and strong operating cash flows. We have a strong vision and strategy for maximising our growth opportunities. Most importantly, we continue to connect millions of people with each other via our pivotal role as New Zealand's front door to the world. Our shareholders can look forward with confidence.

Contents

Strategic overview

Grow New Zealand tourism and business

Every year, our airport welcomes nearly three-quarters of all the international visitors travelling to New Zealand. As New Zealand's premier gateway airport, we are at the heart of New Zealand tourism – our country's single largest industry and export earner. Achieving strong and sustainable growth in the number of international visitors is critical to the long-term success of New Zealand tourism and trade. We will also be a leading provider of New Zealand's transport and freight infrastructure, and will develop New Zealand's premier airport city to enable airport businesses to succeed.

Lillien Skudder Leilua engineering project liaison officer

"We are constantly building a better airport for travellers to experience, working in partnership with our contractors and stakeholders on construction projects to bring you the best."

Provide a unique and compelling New Zealand airport experience

We are dedicated to providing travellers and other visitors with a unique and compelling New Zealand airport experience. Our aim is to provide the warmest and most genuine welcome in the world. By operating an outstanding airport and portraying New Zealand's unique and distinctive culture and heritage, we will foster pride and advocacy from New Zealanders, and give international visitors their first welcome to what will be one of the most memorable and inspiring experiences of their lives.

Sarah Aldworth communications manager

"New branding and our engagement with the community are major elements in providing a unique and compelling identity for Auckland Airport that reflects our national heritage."

Deliver outstanding customer service

We are a customer-focused business that demands excellence in everything we do. The long-term success of our business depends upon our ability to provide a unique and compelling value proposition to our customers (both external and internal) which meets or exceeds their expectations. We are focused on developing an outstanding and responsive customer service culture which will enhance our long-term customer relationships.

Harvey Roberts infrastructure maintenance manager

"The reputation of Auckland Airport depends on the facilities and services, that our customers take for granted, not only working well today, but continually improving for tomorrow."

Operate in a safe, secure, sustainable and efficient manner

We are dedicated to achieving the highest standards of safety and security at our airport. We are committed to growing our business in a sustainable manner, proactively working to mitigate the environmental and social impacts of our operations, and enhancing New Zealand's reputation as a clean, green, safe haven. This includes contributing positively to our local community. We will encourage the uptake of new technologies and better practices to work more efficiently.

Mike Clay occupational health and safety manager

"The health and safety of Auckland Airport staff, passengers and visitors to our site, and the wider airport community is an absolute business imperative."

Enhance our people capability and performance

Our people are critical to implementing our strategy and achieving our vision. We will improve our business by employing, retaining and motivating the best people, and by promoting a vibrant, dynamic and high-performing culture which is focused on working together to create an outstanding airport. In managing our business, we will adhere to the highest standards of governance, integrity and ethics. The guiding principles for our people are embodied in 'Our Spirit'.

Paul Martin airport emergency officer

"Dealing with emergencies means being prepared, and we are always upgrading our capability and performance to make sure we are ready for absolutely anything, from small things to major incidents."

Create long-term value for shareholders

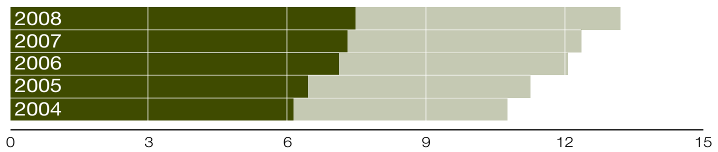
Through achieving our strategic objectives, we will create long-term value for our owners. We are committed to delivering strong and consistent growth in returns to our shareholders by way of ongoing distributions and share price appreciation. We will maintain an optimal capital structure, minimising our cost of capital while also maintaining an appropriately prudent financial position.

Regeil Naiker financial accountant

"Auckland Airport is a complex business. Ensuring that the financial operations serve the company appropriately and efficiently is critical to delivering long-term value."

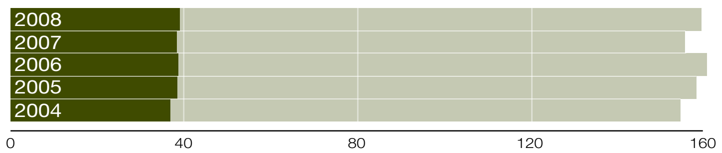
Results at a glance

Passenger movements
(millions)



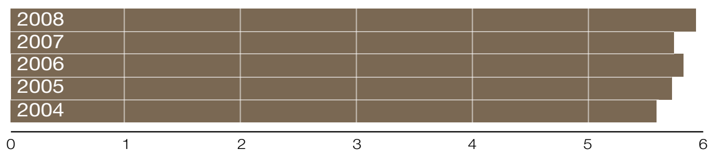
13,202,772
International
Domestic

Aircraft movements
(thousands)



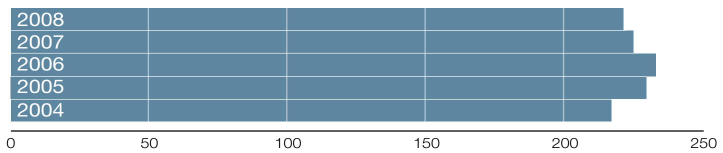
159,627
International
Domestic

Maximum certificated take-off weight (MCTOW)
(millions)



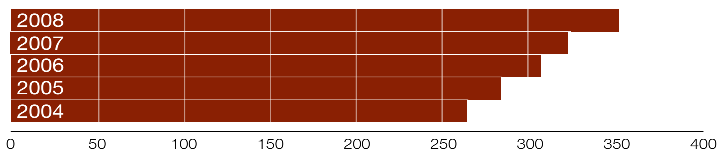
5,936,800

Cargo tonnes
(thousands)



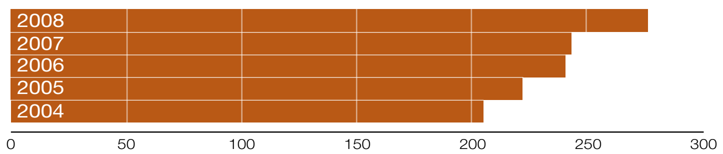
220,999

Revenue*1
($millions)



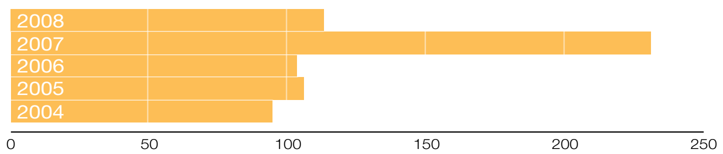
$351.030

Operating EBITDA*1 *2
($millions)



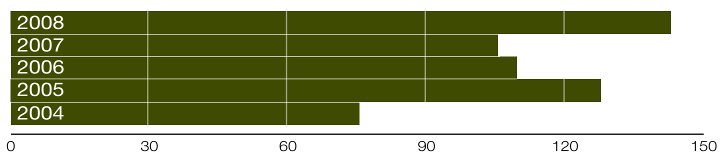
$275.836

Profit after taxation*1
($millions)



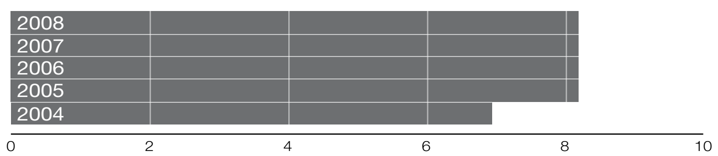
$112.959

Capital expenditure
($millions)



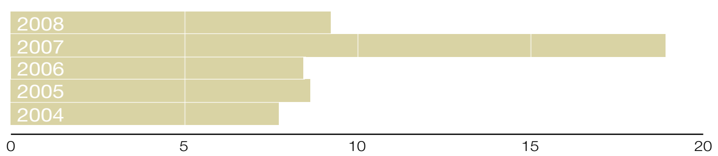
$142.930

Ordinary dividends
(cents per share)



8.20

Earnings per share*1
(cents per share)



9.24

*1 The 2008 and 2007 financial numbers have been prepared under New Zealand International Reporting Standards (NZ IFRS) and the prior years are reported under previous New Zealand Financial Reporting Standards (NZ FRS).
*2 Operating EBITDA is before investment property fair value increases and costs relating to ownership proposals.

Highlights 2008

Performance highlights for the year are listed below under our six corporate strategies.

Grow New Zealand tourism and business

Record passenger numbers of

13,202,772

up 6.9%

Strong growth in domestic passenger volumes, up 13.2%

International passenger volumes (excluding transits and transfers) up 2.5%

Removal of passenger departure fee and transition to an airline charge

Greater commitment to New Zealand tourism

Surface access improvements made

Provide a unique and compelling New Zealand airport experience

Completion of

$41 million

domestic terminal refurbishment

Capex programme totalling $143 million on a range of runway, terminal, retail and investment property projects

New northern runway project progressing well

First stage of new international terminal arrivals area opened April 2008

New vision and branding roll-out completed

Stage 1 of Pier B of the international terminal nearing completion

Deliver outstanding customer service

Rated friendliest in the world in

2007

World Airport Awards survey

Substantial improvements to domestic and international terminal shopping and dining

Forecourt and parking enhancements well under way

New foreign exchange, taxi and shuttle, and rental car licences awarded

Operate in a safe, secure, sustainable and efficient manner

Continued

focus

on people, and on health and safety improvements

Sustainability policy and action plan for 'Greening the Airport' well under way

Installation of new Cat III B technology enabling low-visibility landing

Continued technology improvements

Enhance our people capability and performance

Renewed

commitment

to, and investment in, community and social responsibility

New performance development system introduced

Create long-term value for our shareholders. All the achievements previously mentioned will help create long-term shareholder value. Financial highlights include:

Revenue of:

$351.030 million

up 9.0%

Operating EBITDA of:

$275.836 million

up 13.7%

Profit after tax of $103.7million, adjusting for one-off items and excluding changes in fair value of investment properties, representing 3.3 per cent growth

Total dividends of 8.20 cents per share, the same as last year ($100.213 million in total)

New aeronautical and commercial pricing resets in place

Recent growth capex cycle now ending

$550 million refinancing completed; strong balance sheet retained

Board of directors

John Brabazon
BCom, ACA, MInstD, SA FIN

John Brabazon was appointed a director of the company in November 2007. He is an executive director of boutique merchant bank, DBB Capital Limited. He is also a director of Kern River Oil Corporation in the United States. Past roles have included over 20 years in investment banking with Buttle Wilson, Banque Indosuez, Brierley Investments, and Bancorp. John has been a director of numerous private companies in a wide variety of sectors, and was the former chair of Manukau City Investments, which has a 10.04 per cent shareholding in the airport. He is a member of the Institute of Directors, a member of the Institute of Chartered Accountants of New Zealand, and senior associate of the Financial Services Institute of Australasia. John is a member of the audit and risk committee.

Keith Turner
Deputy Chairman
BE (Hons), ME, PhD, FIEE, Dist. FIPENZ, FNZIM

Keith Turner was appointed a director of the company in 2004, and deputy chairman in November 2007. He has 39 years' experience in the New Zealand electricity industry, including 21 years in senior executive positions. He has participated in widespread reform of the industry, both in industry review teams and acting for the government on a range of boards to establish Transpower, Contact Energy, Meridian Energy and M-Co (the market operations company). Keith has held positions as managing director of DesignPower, as chief operating officer for ECNZ, and as a specialist industry advisor on a range of reform initiatives and development projects. He also sat on the Market Surveillance Committee of the New Zealand electricity market from 1996 to 1999 prior to taking up the position of chief executive of Meridian Energy following the breakup of ECNZ, a role from which he retired from on 31 March 2008. Keith chairs the remuneration and nominations committees.

Anthony Frankham
Chairman
FCA, FAMINZ, AFInstD

Anthony Frankham was appointed a director of the company in 1994, and chairman in November 2007. A former partner in the New Zealand firm of Deloitte, he established his own specialist financial consulting practice in 1992. Tony is chairman of New Zealand Experience Limited and a director of ProCare Health Limited. Tony is a former director of 14 listed companies; for four of these he was chairman. His previous directorships include Capital Properties New Zealand Limited, Direct Capital Partners Limited, New Zealand Oil & Gas Limited, Otter Gold Mines Limited, Vertex Group Holdings Limited and Wilson & Horton Limited. He is a life member and past president of the Institute of Chartered Accountants of New Zealand and a former member of the Takeovers Panel, the Securities Commission and the Council of the International Federation of Accountants. Tony is a member of the audit and risk, remuneration and nominations committees.

Joan Withers
MBA, AFInstD

Joan Withers was appointed a director of the company in 1997. She spent 19 years working in the media industry, holding senior management positions in both newspapers and radio, and has been a professional director for 11 years. In July 2005, Joan became chief executive officer of Fairfax New Zealand Limited. She chose to keep only one of her previous directorships following her return to a leading executive role. That directorship is with Auckland International Airport Limited. Joan chairs the audit and risk committee, and is a member of the remuneration committee.

Lloyd Morrison
LLB (Hons)

Lloyd Morrison was appointed a director of the company in November 2007. Lloyd is one of New Zealand's most experienced infrastructure investors and managers. He founded NZX-listed Infratil in 1994 to invest in infrastructure companies in New Zealand and internationally. Infratil today owns businesses in the airport, renewable generation, energy retailing, waste to energy and public transport sectors. Lloyd is managing director of Infratil, chairman of HRL Morrison & Company which, in addition to Infratil, also manages infrastructure investments for the New Zealand Superannuation Fund, chairman of Infratil Airports Europe and a director of TrustPower. He has board experience with airport companies in New Zealand, Australia, USA, UK and Continental Europe. Lloyd is a member of the remuneration and nominations committees.

Richard Didsbury
BE

Richard Didsbury was appointed a director of the company in November 2007. He was a co-founder of Kiwi Income Property Trust (KIPT) in 1992 and he remains a director of the company. Within KIPT, he led the Sylvia Park project team which has successfully completed New Zealand's biggest retail development. Richard offers complementary skills to the board of Auckland Airport, particularly his extensive property development expertise which, together with his experience of transportation issues gained during his time on the board of Infrastructure Auckland, will be of value to the company as it deals with the future issues of land access to and from Mangere. Richard is a member of the audit and risk and nominations committees.

Directors' report: An action-packed year

Left: Chief executive officer Don Huse, chairman Tony Frankham, and incoming chief executive officer Simon Moutter.

Right: Te Papa imagery on the new Pier B, due to open October 2008.

There's no denying, it's been an action-packed year at Auckland Airport. Ownership issues dominated the headlines and intense debate raged amongst shareholders, media and the public on the merits of each option.

Your directors were engaged in robust discussion throughout. In reviewing the options, each of us applied our expertise in deciding what we believed was in the best interests of shareholders. We did not always agree, and our views largely reflected the range of views of our investors, many of whom have different objectives for their investments.

The ownership question was finally answered by the Government. Its rejection of the Canada Pension Plan Investment Board (CPPIB) application to own 40 per cent of the airport closed the door on that offer.

Whether this door remains bolted to other suitors going forward remains to be seen. Your directors are not actively engaged in any ownership discussions at present. Our focus is on getting the best from your business as it stands, while we put a new management team in place to develop and execute business strategies for the next phase of the company's growth.

Our debate over the ownership issues and our aspirations for the future of the company was healthy, constructive and always respectful of the differing views. This process has been of immense value to the functioning of the board as we now look to the future and to working in the best interests of all stakeholders.

Strong operational and financial performance

The directors are pleased to report excellent progress by the company in its operating results, in spite of all the turmoil in the year just completed:

- A healthy increase in total revenue and operating earnings before interest, taxation and depreciation (Operating EBITDA) – with improved results in all areas of the business. In particular, retail, car parking and rental income achieved double digit growth in the past 12 months.
- An increase of 6.9 per cent in total passenger movements to 13,202,772. Domestic passenger numbers increased by 13.2 per cent, driven by the start of Pacific Blue's domestic services.
- An increase of 2.5 per cent in international passenger movements (excluding transits and transfers). Solid growth was generated by New Zealand and Australian travellers.
- Aeronautical revenues increased by 4.9 per cent, reflecting the completion of a range of airfield and terminal expansion projects last year and new aeronautical prices which applied from 1 September 2007.

These results are a tribute to the first-rate leadership of Don Huse, our chief executive officer, who retires this year. Supported by his dedicated and talented senior management team, Don has kept his eye on achieving the core commercial goals of the business despite the distractions and additional workload that inevitably result from ownership approaches.

This focus has seen us reach a number of the key milestones set out in our masterplan. The plan, which charts the progress required to meet the anticipated growth in aviation over the next 50 years, provides a carefully planned development and expansion path for the company.

Auckland Airport is gearing up for the potential doubling of passengers per annum by 2025. This reflects New Zealand's growing popularity as one of the world's leading tourism destinations, and the pivotal role of the airport in servicing that growth.

We're achieving our key milestones

These include:

- Rolling out new branding in the domestic and international terminals and other areas of the business. The strong and uniquely New Zealand theme is beginning to resonate with the company's stakeholders.
- Opening of the new arrivals area at the international terminal by the Minister of Customs and Associate Minister of Tourism, Nanaia Mahuta.
- Completing the upgrading and renovation of the domestic terminal.
- Breaking ground on stage 1 of the northern runway – which is due for completion in late 2010 or early 2011.
- Construction of the first stage of Pier B, which will significantly increase international aircraft and passenger handling capacity, and will open in October 2008.
- Being ranked the second-best airport in the Australia-Pacific region in the independent Skytrax awards.
- Strong performance of the commercial businesses, which include retail, car parking and property.

Having invested more than $142 million during the past 12 months alone on a range of runway, terminal, retail and property projects, your directors are confident the company is in great shape to meet the demands of the future.

Domestic demand is on the rise, thanks to more competition in this sector.

International demand in the near term looks under pressure as fuel pricing impacts on airfares. Demand can be expected to return to the long-run growth trend as world economic cycles take their course. However, we are seeing additional competition on the trans-Tasman sector which should support international passenger volumes.

More competition offers travelling consumers more choice and lower airfares. It is good for travellers. Auckland Airport is poised and ready to support this increased growth.

Top flight executive appointed to lead Auckland Airport

In May 2008, after an extensive international search, the board was very pleased to announce the appointment of Simon Moutter as the company's next chief executive officer.

Simon's most recent position was chief operating officer (business) at Telecom New Zealand, where he led that company's business customer operations in New Zealand and in Australia. At Telecom, Simon was responsible for over 2,900 staff and $2.2 billion in annual revenue.

Simon has unique experience leading key infrastructure businesses in this country, having also been chief executive officer at PowerCo prior to his position at Telecom. His skills are well suited to build on Auckland Airport's achievements to date.

His achievements make him the ideal person to lead the next stage in Auckland Airport's masterplan as we progressively expand our facilities to handle the projected growth in passengers.

Simon started at the company on 4 August 2008. We look forward to working with Simon as we address the strategic and commercial issues that lie ahead.

Secure funding for our future

Recognising the turbulence that began in global financial markets last year, your directors adopted a prudent approach to management of debt commitments. As a result, the company remains secure in its ability to access funding at reasonable prices. This was evidenced in March this year when the company established $550 million of new syndicated bank facilities to refinance debt maturing this year and to further enhance the company's funding sources and balance sheet position.

The facilities provide flexible additional funding sources for the ongoing growth of our business, as well as further liquidity headroom consistent with our strong credit rating and balance sheet position.

Capital restructuring

In these turbulent times, prudent management of key gearing and other financial ratios is critical. The board is committed to retaining a strong credit rating and balance sheet position. We see this to be particularly important in light of the present economic circumstances, the ongoing 'credit crunch' and the challenges many companies are encountering accessing capital.

The current economic climate has dampened investor enthusiasm for highly leveraged companies. Your directors are pleased to emerge from the ownership discussions of the past 12 months with a strong balance sheet intact. There is no intention to pursue capital restructuring activity, especially in light of recent Government decisions affecting the tax effectiveness of various structures proposed by some interested parties.

Search for a cornerstone shareholder

During the takeover activity in late 2007, the board advised its intention to conduct a process to seek an appropriate cornerstone shareholder. The CPPIB bid failed. Given the Government's decision on foreign ownership and the current weakness in global markets, there is

Left: Aerial view of ongoing earthworks on northern runway.
Below: New Auckland Airport branding roll-out continued.

no merit in pursuing a cornerstone shareholder at this time. We do, however, remain open to the prospect of other significant shareholders, who add real value to the company, joining our share register at some time in the future.

Outlook for the 2009 year

In terms of the outlook for the current financial year, the board is of the view that the short-term macroeconomic conditions in New Zealand and internationally remain challenging.

This is expected to dampen the growth of international passenger volumes in the short term, particularly from some of the traditional long-haul markets such as the United States and the United Kingdom.

Furthermore, in the short term, the company will continue to be exposed to higher costs reflecting an increasingly complex operating and regulatory environment, capital costs associated with the recently completed infrastructure programme and business expansion strategies aimed particularly at improved service standards, air service development, tourism industry participation and property marketing. Tightly managing discretionary costs will continue to be a key priority.

On a more positive note, we are beginning to see signs of new international seat capacity coming into the Auckland market, and we expect there will be more to come in the 2009 year. Competition in the domestic market continues, and we are seeing real benefits from our investment in the domestic terminal precinct.

Reflecting on all of these issues, for the 2009 financial year we currently expect growth in Operating EBITDA to be in the range of 4 to 6 per cent and net profit after tax (excluding any fair value changes) to be in the range of $100 million to $110 million.

As always, this view is subject to any material adverse events, significant one-off expenses, any further deterioration due to the current global market conditions, including aviation fuel price volatility, or other unforeseeable circumstances.

Well positioned for the years ahead

Auckland Airport has the advantage of being a well-structured, well-funded and well-managed business – supported by strong operating cash flows and a strong balance sheet. Weathering the current macroeconomic conditions will require great care in the next 12 months.

While the company will face a number of new economic, market and regulatory issues in the years ahead, the board will continue to work closely with management in monitoring and addressing these to deliver constant improvements in service experience to our airline customers and their passengers as well as good returns to our shareholders.

Your board is confident that it has the strategies and management capability in place to meet the immediate challenges that lie ahead. And we are confident that the company will emerge from this period well positioned to reap the benefits of the far-sighted investment we have made in the company's – and New Zealand's – future.

On behalf of the board

Anthony N. Frankham
Chairman

21 August 2008

Chief executive officer's report

Right: Chief executive officer Don Huse.

During the past five years, Auckland Airport management has consistently focused on our airport's role as New Zealand's most important gateway to the world.

This has been a major part of my responsibility as chief executive officer. With my tenure drawing to a close, I can reflect positively on Auckland Airport's continued progress towards becoming a genuinely world-class airport.

The year to June 2008 has been one of change, challenge and progress. Auckland Airport is well positioned to prosper over time, notwithstanding adverse cyclical events and instability in both global and local economic conditions.

As a critical component of New Zealand's future prosperity, Auckland Airport has been building infrastructure and capacity, in recognition of that responsibility, in a fiscally prudent manner. This will help Auckland Airport ensure it can confidently face economic ill winds and be in a position to capitalise on future growth opportunities, and, by so doing, deliver ongoing long-term value to shareholders.

The well-publicised ownership issues before Auckland Airport this last year have been a significant impost on management. That said, our focus has remained steadfastly on delivery of the company's long-term goals to benefit shareholders, travellers, airlines and other stakeholders.

Given the range and nature of external events that have so strongly influenced public perceptions about Auckland Airport this past year, management has maintained the company's strong financial position, and delivered positive operating results. Auckland Airport is in solid financial shape and is well positioned for the future in terms of steady progress towards its strategic goals.

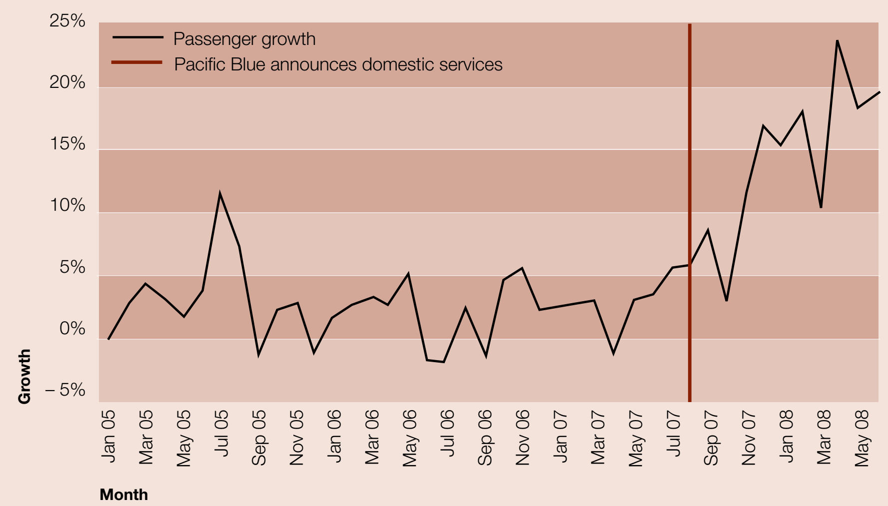
Improved earnings were achieved in a setting of slowing growth in international passenger numbers, cost inflation pressures, significant capital and financing costs, together with material one-off costs associated with ownership issues.

Looking forward, the investments of the past five years will ensure the next generation of New Zealanders will enjoy competitive facilities and services at Auckland Airport.

Growing New Zealand tourism and business

Over the 2008 year, total passenger movements were 13,202,772, an increase of 6.9 per cent over 2007. International passenger growth (excluding transits and transfers) slowed, increasing only 2.5 per cent. Domestic passenger growth was very strong at 13.2 per cent. There were several factors contributing to slower international passenger growth. These are discussed in more detail later in the financial report.

New Zealanders and Australians continued to make up the major share of international passenger volume, at



Pacific Blue has helped grow the domestic market significantly. From November 2007 to June 2008, domestic passenger numbers increased by 16.5 per cent compared with the previous corresponding period. The graph above shows the growth that has been sustained since Pacific Blue started domestic operations in New Zealand.

Since starting on 12 November 2007 to the end of June 2008, Pacific Blue passenger numbers were 419,062. Additional to that, the domestic market grew by 4.3 per cent over and above Pacific Blue passengers.

Left: Auckland Airport has a pivotal role in New Zealand tourism.
Below: Auckland Airport helps make departures hassle-free.

China and India growth

Predicted growth is positive for the India and China visitor market to New Zealand, putting Auckland in a strong position to benefit from this.

China experienced double-digit growth air travel over the last few years. Visitors from China to New Zealand have increased 20.2 per cent from 2006 to 2007 and 6.2 per cent from 2007 to 2008. The airline fleet in China has doubled since 2000, as have the number of people travelling in China since 2000. Air New Zealand now has direct flights between Beijing and Shanghai and Auckland, and the potential exists for other routes to be developed to Asia from Auckland in the near future.

India is also tipped to be a high-growth area for air travel to and from New Zealand. Tourism New Zealand statistics show an 11.4 per cent increase from 2007 to 2008, on top of an 8.3 per cent increase from the prior year. This is expected to strengthen further with the opening up of air travel in India. Due to the rising number of wealthy middle-class citizens now able to afford air travel and other countries announcing direct services to India, this region is set to continue its current growth pattern into the future.

High growth in visitors is also forecast from South America between 2008 and 2014.

Forecasts of international visitor arrivals to New Zealand by market (000s)

	Actual	Forecast								
	2007	2008	2009	2010	2011	2012	2013	2014	Total Growth %	Annual Growth %
China	121	131	143	156	170	185	200	217	79.6	8.7
India	22	25	26	28	31	33	36	40	83.1	9.0

Source: Ministry of Tourism 2008-2014

62.6 per cent of arrivals. There was encouraging growth from newer markets such as India, China and Canada. This was offset, to a degree, by declines from some other traditional markets.

As New Zealand's principal gateway, we have a national responsibility with respect to supporting international and domestic trade and tourism. Ours, by a considerable measure, is the country's single most important hub for air travel and airfreight.

Auckland Airport provides the first and last experience for over 70 per cent of international travellers to and from New Zealand. This affords a unique opportunity to influence the views of our New Zealand through the eyes of our millions of customers. Every day, tens of thousands of people, from overseas, from New Zealand cities, and from rural communities connect through Auckland Airport. We aim to continually improve their experience and, by doing this, add value for shareholders.

New Zealand is a relatively small country and is dependent on its links to the global economy, 24 hours a day, seven days a week. Every day, international and national business is transacted through connections delivered by Auckland Airport.

New Zealand tourism and Auckland Airport share many challenges and aspirations. We want more people to arrive and to depart with a deep emotional attachment to our beautiful country. Auckland Airport's long-term plans anticipate 24 million passengers a year by 2025, reflecting the continuing popularity of New Zealand as a leading visitor destination.

Auckland Airport has a pivotal role in servicing and promoting that growth. The decision taken this year to become a significant sponsor of New Zealand's largest tourism trade event, Tourism Rendezvous New Zealand (TRENZ), is a further tangible investment in the mutually beneficial partnership we have with New Zealand tourism.

Auckland Airport is also making life easier for travellers via a range of facilitation improvements. Most notably, from July 2008, travellers no longer pay an international departure fee at Auckland Airport. Instead, as is common practice internationally, a charge is levied on airlines. Many airlines have included this charge in their passenger ticketing. This change makes the departure process easier and leaves a much better last impression of New Zealand.

Growing tourism and business requires progressive airport development activity, within the framework of our long-term masterplan. As the New Zealand tourism and economic base grows and becomes more sophisticated, so we must ensure that Auckland Airport has the capacity and operational standards to support ever-increasing traveller expectations.

Auckland Airport is prepared for the arrival of the new generation of large aircraft, the 550-seat A-380. It is the first in the country to be 'A-380-capable'. Having the capacity to handle the new aircraft will ensure that New Zealand is not 'left behind' by emerging tourism trends, and that we can enjoy the sustainability benefits of more fuel-efficient new aircraft. The first scheduled commercial A-380 flight into New Zealand is expected to land at Auckland in February 2009. This will mark the start of a new era.

Fred McFall
Airport emergency officer

"It's not just about giving a warm welcome, it's about providing a safe and secure environment, and a quick and effective response in the event of an emergency."

Surface access to and from Auckland Airport is critical to tourism and trade. Surface transport infrastructure in the Auckland region is seriously challenged. We are working closely with local and regional transport and planning authorities to improve both public and private transport services.

This transport collaboration has led to important new initiatives. These include the introduction of new and enhanced airport bus services, ongoing improvements to the 'Western Ring Route', the prospect of high-occupancy lanes on key arterial roads, and, for the longer term, planning for airport rail as it becomes a higher regional and local transport priority.

Particularly pleasing has been the launch of a new bus service connecting Auckland Airport to South Auckland, and the expansion of the Airbus service to Auckland City.

Work is nearly complete to realign Ray Emery Drive. This will streamline and improve traffic and public transport flow through the international terminal forecourt. It is due for completion in September 2008.

Also, we have made detailed submissions to the Royal Commission on Auckland Governance. Auckland Airport is advocating a 'fresh start' for Auckland. We believe there are serious issues

Left: The new international arrivals area.
Below: It's always great to arrive home.

with Auckland's current governance arrangements. Significant changes are required. There is a need for 'one voice for city-wide or Auckland-wide issues'. A regional approach for transport, planning and other key community services is imperative.

Providing a unique and compelling New Zealand airport experience

We are ensuring that Auckland Airport has the necessary capacity and operational performance in time to meet the growing needs of international and domestic travellers, the airport stakeholder community, and investor interests.

Our masterplan details and prioritises the aeronautical, commercial and land-use developments required to create the best possible airport environment and meet projected growth. Its execution has progressed smoothly this past year, with the completion of several major project milestones significantly improving the airport experience.

Auckland Airport's capital expenditure programme during the 2008 year totalled $143 million. Major investments were made in a range of runway, terminal, retail and investment property projects. This year was the fifth year of a much expanded programme to develop and expand facilities and services.

This ongoing programme has been carefully managed. Consultation with business partners and border agencies has featured strongly. Prudent recognition of tougher economic conditions has resulted in deferral of some developments.

The new northern runway project is progressing well. The excellent summer ensured a most productive construction season. Stage 1 of the major earthworks on the northern runway is ahead of programme. It is scheduled for commissioning before the Rugby World Cup in 2011.

The first stage of the new international terminal arrivals area opened in April 2008. This $90-million project features powerful New Zealand imagery, much-increased capacity for passenger processing, and a greatly expanded arrivals duty free retail offering.

October 2008 will see the opening of stage 2 of the international terminal expansion, the new Pier B. This project is a major milestone. With four new airbridges, it will significantly increase aircraft and passenger handling capacity.

This year has also seen the completion of a $41-million domestic terminal 'extreme makeover', in partnership with Air New Zealand. This has greatly enhanced the domestic travel experience on both trunk and regional routes.

Auckland Airport's vision of 'Representing our Country', outlined in detail in last year's annual report, is becoming ever more integrated into the organisation.

It continues to underpin our planning and our ongoing operations. It aims at giving visitors their first welcome to a memorable and inspiring experience.

The new airport branding and imagery launched this year displays unique features of New Zealand. It highlights contemporary New Zealand cultural icons and our distinctive flora and fauna. The new branding much better reflects Auckland Airport and its place in New Zealand today.

Another 'uniquely kiwi' aspect of Auckland Airport is our marae, Te Manukanuka o Hoturoa. It is a potent symbol of New Zealand identity and a meeting place unique to Auckland Airport. The airport marae reflects the special partnership between Auckland Airport and the Tainui people, as tangata whenua.

Delivering outstanding customer service

While infrastructure is pivotal, people remain the most critical dimension of customer service. Auckland Airport's famous operational team of volunteer 'bluecoats' and professional 'redcoats' provides a unique and outstanding customer service experience. That commitment to a customer service ethos is reflected across the entire organisation.

We are committed to representing our country well. Auckland Airport was rated the best in the world for friendliness of staff in the 2007 World Airport Awards survey. London-based air transport researchers, Skytrax Research, independently conducted this survey which is based on feedback from 7.8 million passengers covering 170 airports.

Melany Aiono
Airport operations officer

"Our role in Operations is to ensure that Auckland Airport runs smoothly and is representative of New Zealand; the best way to do that is to exceed our customer's expectations with a distinctively kiwi style."

The airport retail experience is an increasingly significant service for domestic and international travellers, for their friends and family dropping them off or picking them up, and for the many thousands of people who work at the airport or nearby.

Substantial improvements have been made to Auckland Airport's domestic and international terminal retail offerings. It is most encouraging that really positive customer feedback is being received from regular independent market surveys.

World-class duty free, foreign exchange, food and beverage, and speciality retail shopping at an international gateway, like Auckland Airport, is of paramount importance. Our aspiration to represent our country, to be uniquely kiwi, to be outstanding and welcoming, is heavily dependent on the depth, breadth and quality of the entire retail programme at Auckland Airport. International travellers are well equipped to compare and contrast Auckland Airport with what is on offer by way of the total journey experience at other international airports around the world.

After much consideration and expert advice, the company has decided not to proceed with its previously announced plans to move from two duty free operators to one non-exclusive operator from August 2009. While the single duty free operator model is the prevailing practice at competing airports around New Zealand, Australia and Asia Pacific,

Below: Taxi and shuttle operators continue to improve along with all transport services.
Right: Airport emergency services are prepared for action if needed.
Far right: Kiwi sculptor Konstantin Dimopoulos installs a new work to farewell travellers.

in this case the Commerce Commission expressed concerns with this approach, and had commenced an investigation into the decision to move from two operators to a single operator. The company has provided a formal undertaking to retain two operators until June 2015. In response, the Commerce Commission notified the company that, although it considered that the company's conduct risked breaching the Commerce Act, the Commission would cease its investigation. Although the company firmly believes it had not breached the provisions of the Commerce Act, the decision to maintain two operators is a pragmatic and practical one.

Auckland Airport will now consult with airport-based retailers and with its retail advisers to ensure the entire airport shopping experience is as competitive and as appealing as it can possibly be.

Auckland Airport currently has non-exclusive duty free concession arrangements with the DFS Group and the Nuance Group. They expire in June 2015 and August 2009 respectively. Our attention is now directed to ensuring a second duty free operator continues to be in place at Auckland Airport.

Enhancements to Auckland Airport car-parking services continue. The number of car-parks available is increasing. The new multi-level car-park building at the domestic terminal is growing in popularity. We are progressing with upgrades to a range of car-parking technologies.

A new five-year contract for foreign exchange services, awarded to Travelex in May 2007, came into effect from October 2007. The new arrangement has widened the foreign exchange services available to travellers. Travelex is one of the world's largest foreign exchange specialists. It has been operating in New Zealand since October 1982, including at Wellington and Queenstown airports.

New rental car operator licences commenced on 1 July 2007. These five-year licences provide for an increase from one operator to five at the terminals. They are highly regarded international firms – Hertz, Avis, Budget, Thrifty and Europcar. The selection caters for a full range of travellers' needs and budgets, and will improve choice and service offerings for travellers.

Operating in a safe, secure, sustainable and efficient manner

Keeping the Auckland Airport community healthy and safe remains a key focus. Our health and safety key performance indicators continue to improve. The appointment of a dedicated senior health and safety manager reflects our ongoing determination to enhance Auckland Airport's record in this area.

The aviation, airport and transport industries have significant responsibilities with respect to environmental impacts. This is graphically highlighted by the rapidly rising cost of fuel, and the increasing attention being given to emission trading schemes in more and more countries. A number of significant and tangible sustainability initiatives have been implemented at Auckland Airport during the year, with more to follow in 2009.

'Greening the Airport' is an Auckland Airport strategy guided by the principles of reduce, reuse and recycle. The strategy focuses on resource efficiency, waste minimisation and energy conservation.

Our new international arrivals area has several significant 'green' features, including the largest photovoltaic solar array in New Zealand. It is used to power lights and for preheating water in the hot water system. Large storage tanks to collect rainwater for the air conditioning cooling towers have also been installed. Auckland Airport has spearheaded an innovative carpooling programme, called *Lift,* for people who work at or near the airport.

Other green initiatives include: a sophisticated airport recycling system that provides for computer hardware and for all public waste; the purchase of low emission airport motor vehicles; and the recent signing of an international commitment to addressing climate change as part of the global aviation industry.

The recent installation of new Category III B technology, completed in partnership with air traffic control service provider, Airways New Zealand, and airlines, has resulted in Auckland Airport achieving a Category III B runway classification. Aircraft can now land in low-visibility conditions, including dense fog. This allows airlines to considerably reduce their fuel consumption through a reduction in costly diversions and fuel loads. Travellers will certainly enjoy the greater reliability that comes with the new system.

Tony Beattie
Airport emergency officer

"As part of an emergency service team who must be prepared to put ourselves at risk for each other, it's essential that we have a strong culture and ethos of trust, high performance and professionalism."

While this year's annual report retains a traditional hard-copy format, we are starting the transition from print to electronic reporting to reduce the use of paper. Shareholders will be asked, during the next 12 months, to indicate whether or not they wish to receive a printed 2009 annual report. We will ensure that the electronic form of the report will be of the highest possible quality. We are committed to ensuring it is readily accessible to shareholders and other parties.

Operating an airport as a safe, secure and sustainable gateway means working closely with our diverse range of partners. This includes: Government border agencies that protect the integrity of New Zealand's frontiers; the retail workers who serve and nourish those who use Auckland Airport; and our airline partners who transport passengers and airfreight. While the number of Auckland Airport staff is about 300, over 12,000 people work within the overall airport community.

Our view of airport technology is becoming broader and aims at achieving global best practice. We have 'virtualised' our servers. This means fewer costs to manage, a smaller carbon footprint, and better disaster recovery capability. We have developed our data warehousing and reporting processes to reduce paper usage. We have increased the number of 'WiFi' hotspots around the airport for use by travellers, airport staff and others.

Other technology improvements include upgraded internal systems for payroll, people and performance development, and property and resource management. We have improved remote management of core technology infrastructure. A comprehensive website review is now under way to deliver a better online experience. Investment is being made in self-service technologies to improve the traveller experience.

Keeping a constant eye on the technology horizon will ensure that our service standards consistently achieve international best practice.

Enhancing our people capability and performance

Auckland Airport has a strong employment brand. Our people, distinguished by their collective spirit and culture, have this year seen the roll-out of a new performance development system. It will drive a higher performance strategy and better alignment of people performance to strategy, and reward to performance.

We have a deep commitment to community and social responsibility. We strongly believe in contributing to New Zealand through a range of community investment and sponsorship programmes. These initiatives embrace education, health, arts and culture, as well as sustainability.

Our major community partnerships in health include a seven-year commitment to the National Burn Centre at Middlemore Hospital, New Zealand's dedicated facility for burn treatment, and annual support of Life Flight New Zealand, which operates air ambulance services to many regions.

In arts and culture, Auckland Airport is one of the major sponsors of the TelstraClear Pacific Events Centre, the premier civic entertainment facility in Manukau City, and has sponsored the annual Villa Maria Cult Couture that melds culture, art and high fashion. In Manukau City, we are also significant sponsors of the Life Education Trust, one of New Zealand's most respected health education programmes.

Creating long-term value

Auckland Airport enjoyed another strong year in 2008. There were solid increases across most revenue lines. Growth in passenger numbers, higher retail returns, positive rent reviews and higher car-parking volumes all contributed to a 9 per cent increase in total revenue to $351.030 million.

Creating long-term value for our shareholders, by generating value for all our customers and wider ranging stakeholder groups, is central to our business philosophy.

Aeronautical

Aeronautical revenue grew 4.9 per cent over the previous year, to $159.978 million. Aeronautical pricing consultation with our airline partners was completed early this year, with new airport charges introduced from September 2007. The consultation was conducted over a number of years. It included all airline interests and was based on detailed analysis and expert advice. It was a positive and interactive process conducted constructively and in accordance with best practice. In our view, the prices set are fair and reasonable

Auckland Airport welcomes millions of travellers, and their friends and family, each year.

with regard to all interests involved. Air New Zealand has commenced judicial review proceedings in respect of the revised airport charges. We refute the claim and are vigorously defending the proceedings.

Air services have increased during the year, with more Royal Brunei services to Auckland, the successful introduction of Pacific Blue to domestic competition, and an increase in Pacific Blue trans-Tasman services. Balancing this, there was a reduction in air services provided by the Taiwanese airline, EVA Air. While route development is a long-term process, we are optimistic of more successes in the coming year.

A key issue this year is the ongoing review of the economic regulatory regime under which New Zealand's airports operate. We have made substantive submissions as an interested and responsible party. It is important to ensure all interests involved are properly balanced so that incentives remain for necessary long-term investment in New Zealand's vital airport infrastructure.

Non-aeronautical

The 2008 financial year was very successful for our non-aeronautical or commercial businesses, which include retail, car parking and property. We now earn nearly 55 per cent of our revenues from these businesses. Revenue reached $191.052 million, an increase of 12.8 per cent on 2007. Retail income was up 10.3 per cent to $103.379 million, with car-park revenue 13 per cent higher at $29.252 million.

Retail

These results reflect ongoing improvements in the range and services offered. Our strategy focuses on change, choice, competition and connection. Change means delivering continued improvements in service by ongoing refreshment of our offer. Choice means putting 'decision-making' back into the hands of passengers. Competition means operating every day as if we have an airport next door. Connection means integrating our overall service delivery into one passenger experience.

By doing all of these things well, we are able to deliver improved retail results. Positive results from independent market research on the preferences of passengers and other visitors for food and beverage, duty free, car parking and foreign exchange services confirms the benefits arising from this strategy.

Auckland Airport's 50 per cent share of earnings from HMSC-AIAL Limited, its joint venture operator of food and beverage facilities at the international terminal, was $1.051 million, an increase of 16.3 per cent.

Property

Our investment property portfolio again appreciated in market value this year to $524.280 million at 30 June 2008, up $14.380 million, of which $13.721 million related to net revaluations. The company earns rental revenue from tenants in its terminals and cargo buildings, and from leasing stand-alone investment properties. Total rental income was $40.220 million in 2008, an increase of 20.9 per cent.

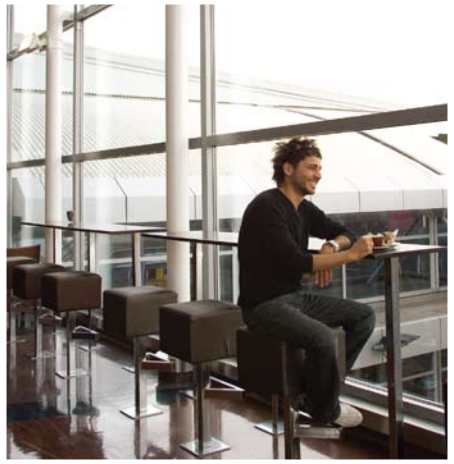
During the year, Auckland Airport continued to make good progress with its investment property business. While the demand for property development reflects market trends, Auckland Airport is well positioned in terms of its balance sheet and availability of attractive land. We have one of the largest land banks in the Auckland region which will facilitate aeronautical and commercial property development over the long term. These features can be expected to improve our competitive position over time.

In late June 2008, the High Court ruled in favour of Auckland Airport following a claim for land made by the Craigie Trust under the Public Works Act. The Craigie Trust has filed a notice of appeal against the High Court decision. Auckland Airport remains firmly of the view that the claim was without merit, and supports the decision of the High Court. Auckland Airport has filed a cross appeal on the two aspects of the decision which were not in its favour.

Looking forward

Auckland Airport is well positioned to handle growth in passenger numbers over time; however, in the short term, the impact of softer global macroeconomic conditions, the rising cost of debt, and the slowing of the domestic economy can be expected to be reflected in passenger numbers and business activity.

With the market entry of Pacific Blue, domestic passenger numbers remains relatively strong. International passenger growth remains below long-term trends.



Market and economic cycles recover. Growth opportunities can be expected in coming years, with short-haul international markets having much to offer.

Auckland Airport is committed to positive relationships with all key stakeholders. While our respective interests may sometimes overlap, we enjoy strong and constructive relationships across the whole aviation industry and broader community. An important priority moving forward is securing additional air services, promoting an economically efficient regulatory environment, building the company's investment reputation and stakeholder relationships. The strong focus on delivering on a wide range of important business development and construction projects on time and on budget will remain.

This annual report is my last as chief executive officer of Auckland Airport. The financial year has seen significant progress in positioning the airport for a secure future. The year's performance provides a robust platform for new chief executive officer, Simon Moutter, to lead the next phase of Auckland Airport's development. I wish Simon and the team all the best for their endeavours as the Auckland Airport journey continues.

I thank the board, my management team and particularly all Auckland Airport staff for their enthusiasm and ambition to make Auckland Airport the very best it can be.

This year also sees the farewell of two other senior executives, chief financial officer, Robert Sinclair, and general manager property, Chris Gudgeon.

Robert and Chris both leave with best wishes and thanks for their significant contribution to Auckland Airport.

To our much-valued shareholders, I thank you for your ongoing confidence in the long-term future of Auckland Airport. Whilst the last year has had its significant ownership issues, prudent management has ensured that our outlook as a solid New Zealand investment remains strong.

Finally, I thank our many, many customers for their continued pride in New Zealand's gateway. My time leading Auckland Airport as chief executive officer has been a privilege and a most rewarding experience. I am confident Auckland Airport will promote a great future for all of its stakeholders.

Don Huse

Don Huse
Chief executive officer

21 August 2008

Senior management team

Robert Sinclair
Chief financial officer

Lucy Powell
Head of communications

Steve Reindler
General manager engineering

Nick Forbes
General manager retail

Tony Wickstead
Chief information officer

Tony Gollin
General manager aeronautical

Judy Nicholl
General manager people and performance

Don Huse
Chief executive officer

Charles Spillane
General counsel and corporate secretary

Senior management team

Don Huse
Chief executive officer
BCA, CA

Background
Don Huse became chief executive officer of Auckland Airport in 2003. He was previously chief financial officer of Sydney Airport Corporation, chief executive of Wellington International Airport and a director of TransAlta New Zealand. He is a member of the Institute of Company Directors in both New Zealand and Australia. Don's role is to ensure the company develops and implements strategies that meet customer needs, recognise wider stakeholder interests and grow sustainable shareholder value.

Don departed Auckland Airport on 22 August 2008.

Robert Sinclair
Chief financial officer
BCom, LLB (Hons), CA

Background
Robert Sinclair joined Auckland Airport in 2005 from a career in investment banking, and corporate and securities law in New Zealand and overseas. Robert is responsible for corporate strategy and planning, finance, treasury, financial reporting requirements, corporate affairs, investor relations and information technology.

Robert departed Auckland Airport on 22 August 2008.

Lucy Powell
Head of communications
BA, LLB, DIP BUS Marketing

Background
Lucy Powell joined the company as head of communications in August 2007. Lucy was previously communications manager – the Americas for Air New Zealand, based in Los Angeles. She has held a number of positions with Tourism New Zealand, as well as a variety of other roles in communications, marketing, travel and tourism in New Zealand and abroad. Lucy sits on the Manukau City tourism advisory forum, and is on the board of the Tourism Industry Association of New Zealand. Lucy's role is to develop and implement Auckland Airport's communications strategy. She oversees key stakeholder relationships in the corporate and marketing communications areas, as well as media and community relations, internal communications, issues management and crisis communications, events, sponsorships, Government relations and investor relations.

Tony Wickstead
Chief information officer
DIP BUS Marketing,
DIP BUS Operations

Background
Tony Wickstead has more than 10 years' experience in executive roles within the technology industry in Australia and New Zealand, most recently with Ernst & Young. This has included business strategy development and business planning, development of information technology strategy, change management, and implementation of financial management and ERP solutions. Tony's role is to develop and implement Auckland Airport's long-term strategy for information communications technology (ICT), while taking into account the requirements of Auckland Airport's diverse group of stakeholders.

Tony Gollin
General manager aeronautical
JP, BCA, MPP, FCILT

Background
Tony Gollin was appointed general manager of the newly formed aeronautical division in May 2006. He rejoined the company in 2004 as general manager corporate planning and strategy after previously working for the company from 1988 to 1997 in commercial and general manager roles. He spent the intervening years in London in international airport development and investment. Tony is responsible for the operations division as well as aeronautical pricing and air service route development.

Judy Nicholl
General manager people and performance
BE, MEd

Background
Judy Nicholl joined Auckland Airport in 2006. Judy has a background working in human resources within several industry groups – primary processing, travel and tourism, education and New Zealand Police. Judy and the people and performance team design and implement business-focused human resource strategies.

Steve Reindler
General manager engineering
BE (Hons), FIPENZ

Background
Steve Reindler joined Auckland Airport in 1997. He was previously general manager engineering and environment with BHP NZ Steel Limited. Steve is responsible for the planning, design, construction and maintenance of airport facilities, sustainability and environmental management, and local government liaison. In 2003, he was appointed by the Crown for five years as chairman of the Council of Chartered Professional Engineers, and in 2005 joined the board of Port of Napier Limited.

Nick Forbes
General manager retail
MBA (Melb), FAIM

Background
Nick Forbes joined Auckland Airport in 2004 as general manager retail. His previous roles include retail business development for Australian Pacific Airports in Melbourne and as a commercial manager with Brisbane Airport Corporation. He is a Fellow of the Australian Institute of Management and a board member of the Asia Pacific Travel Retail Association. Nick is responsible for the development and management of the company's retail concessions, food and beverage, car parks, ground transportation, indoor/outdoor media and marketing. He is also a director of the company's joint venture food and beverage company, HMSC-AIAL Limited, which owns a large proportion of the food and beverage outlets in the international terminal.

Charles Spillane
General counsel and corporate secretary
BA, LLB (Hons), FCIS

Background
Charles Spillane joined Auckland Airport in 2002 as legal counsel and was appointed general counsel in 2004. He added the role of corporate secretary in 2006. Before joining the company, Charles practised law at Russell McVeagh. He is a Fellow of the Institute of Chartered Secretaries. He is responsible for corporate governance, share registry, risk management, insurance, and the management of the company's legal and regulatory function, providing advice to all parts of the business.

Chris Gudgeon
General manager property
MBA, BE (Civil)

Background
Chris Gudgeon was appointed Auckland Airport general manager property in 2006. He was previously chief executive officer of Capital Properties New Zealand Limited in Wellington. Chris has been involved in property development and construction in New Zealand for over 20 years. He has responsible for the development and management of the company's real estate assets.

Chris departed Auckland Airport on 30 July 2008.

Sustainability report: Auckland Airport and sustainability

Auckland Airport's journey towards sustainable development is now well under way. This is development that takes into consideration the needs of future generations while meeting those of the present.

We produced our first sustainability report last year, highlighting the economic, environmental and social aspects of our business. As our inaugural sustainability report, it accurately reflected our situation at the time: an organisation still coming to grips with the requirements and benefits of sustainability reporting.

This 2008 report accurately reflects our current situation; we have made a great deal of progress on our sustainability journey, and we have had the opportunity to review our sustainable business practice. This has produced updated key performance indicators (KPIs), and has highlighted the need for continued work on sustainability monitoring, targeting and reporting in the future.

Auckland Airport has many sustainability initiatives under way. This report highlights new initiatives or those that have undergone a significant step-change in scope or scale over the last year.

We now have in place our first sustainability policy and action plan. The action plan is a working document that will ensure implementation of the policy and facilitate accurate monitoring and progress reporting. It focuses on 14 key action areas. Progress in these areas is monitored by an Auckland Airport sustainability forum.

The sustainability forum is a 'think tank' consisting of people from across the company representing all our key stakeholders. The forum keeps abreast of sustainability issues, feeds ideas back to the business groups and reports progress to the management team at Auckland Airport every six months.

Another important step for us was to commit a full-time resource to sustainability issues.

To that end, we appointed a full-time sustainability advisor in September 2007.

Over the past 12 months, Auckland Airport has completed the necessary groundwork to enable sustainability to be a fundamental component of how we operate. We are now in a position to better reflect our brand, meet the expectations of all our stakeholders, continue to develop in a sustainable way and report meaningfully on our progress. This means undertaking real, genuine, practical initiatives that engage with stakeholders and contribute to social, economic and environmental sustainability in a meaningful way.

Environmental performance

Climate change

Corporate sustainability is often measured on climate change, an issue that is pivotal to the aviation and tourism sectors, of which Auckland Airport is a crucial part. The Inter-governmental Panel on Climate Change (IPCC) has calculated that aviation's total carbon dioxide emissions account for 2 per cent of all global emissions impact on climate change. Of that figure, airport operations account for only up to 5 per cent. Auckland Airport produced its first emissions profile for the 2006 financial year.

Stakeholder interest & engagement

Key stakeholder group	Stakeholder interest	Ongoing stakeholder engagement
Shareholders	Financial performance and position, corporate governance, corporate responsibility and sustainability	Directors' report, chief executive's report, corporate governance section, financial report, financial statements, and this sustainability report
Customers – airlines and airfreight industry	Service delivery, business facilitation, maximising value, security, sustainability	Multi layered daily contact 24/7, relationship management directly and through industry associations, newsletters and website
Customers – tenants and workers in wider airport community	'Fit for purpose' buildings and facilities, visitor numbers, maximising value, security, sustainability, staff services	Relationship management, retailer forums, proactive property management, lease and concession consultation, Airport Times
Travelling public and airport visitors	Quality travel experience, smooth facilitation of check-in and processing, personal security and safety, sustainable operations	News media, advertising, Airport Times, email, website, Flight TXT, 'comments cards', direct customer service, flight information screens and PA announcements
Suppliers	Facilitation of agreed service, timely payment, security and safety, sustainability	Multi layered daily contact, contractor management, systems and safety agreements, focus groups, Airport Times, website
Wider community – tangata whenua, local and regional residents, interest groups	Environmental and social responsibility, economic and community contribution, archaeological sites	Liaison with tangata whenua through marae management, Airport Times, this sustainability report
Employees	Stable employment, equal opportunities, income and benefits, health and safety, professional development	This sustainability report, intranet, staff induction, On Air, Airport Times, website, multi layered daily contact
Government (local and central) and associated agencies	Safe and legal operation and development, performance as a strategic infrastructure asset, facilitation of border security	Multi layered daily contact, relationship management, participation in working groups

A review of the data capture process and calculation methodology has allowed us to improve the accuracy of our updated emissions profile.

It is important to note that our previously reported emissions profile has been adjusted. This is due to the use of a new emission measurement factor, published in 2007 by the Ministry of Economic Development, for indirect emissions associated with the use of electricity. Improvements in data capture and calculation methodology have also increased the measurement of emissions from natural gas. We have this year again estimated emissions from construction projects, including embodied emissions in construction materials and emissions from fuel usage. Auckland Airport will monitor these emissions, and will investigate the possibility of producing an emission-based indicator of the sustainable development of airport infrastructure.

Airport Council International (ACI) Declaration on Climate Change

In April 2008, Auckland Airport, along with over 300 other airports from around the world, signed the ACI declaration on climate change at an aviation and environment summit in Geneva. The declaration reflects Auckland Airport's commitment to working with the broader aviation industry towards the vision of carbon neutrality.

Auckland Airport emissions profile for financial years 2006 to 2008

	2006 (CO_2e^*) Tonnes	2007 (CO_2e) Tonnes	2008 (CO_2e) Tonnes
Natural gas	1,025	1,752	1,846
Petrol 91	218	207	192
Petrol 96	44	42	29
Diesel (vehicles)	320	314	294
AvGas	3	2	0
JetA1	77	48	77
Electricity	6,555	6,585	6,833
Air travel short haul <500km	41	24	24
Air travel medium haul 501–1,600km	1	8	12
Air travel long haul >1,601km	130	73	78
Construction	2,240	1,903	1,922
Totals	10,654	10,958	11,306

*CO_2e = carbon dioxide equivalent

Scope 1 emissions	
Scope 2 emissions	
Scope 3 emissions	

Carbon disclosure

The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation providing a coordinating secretariat for institutional investors, with a combined US $57 trillion of assets under management. On their behalf, it seeks information on the business risks and opportunities represented by climate change and greenhouse gas emissions data from 3,000 of the world's largest companies. Auckland Airport supports the CDP, participating in their survey this year, for the second time.

FTSE4Good

Auckland Airport has already reaped the benefits of sustainability reporting and carbon disclosure in 2008 by being listed on the FTSE4Good index in the UK. This year, the FTSE4Good index included carbon emissions disclosure and reporting as part of its criteria. It is an equity index series designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good index series have met stringent social, ethical and environmental criteria.

"FTSE Group confirms that Auckland Airport has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good index series."

Kate Edenborough
Environmental planner

"We take a holistic view of sustainability, incorporating social, economic and environmental considerations into providing a meaningful contribution to keeping New Zealand's front door green."

Understanding climate change

To keep pace with international climate change developments, Auckland Airport attended the aviation and environment summit in Geneva in 2008, the APEC transport working group on aviation emissions in Singapore in 2007, Kuala Lumpur in 2008 and a resultant APEC aviation emissions task force held in Auckland in July 2008. Attendance at these international forums provides crucial insight into the progress across the aviation industry on the climate change issue. Auckland Airport has also kept informed on domestic developments, in particular the potential implications of the emissions trading scheme. In response to the proposed scheme, Auckland Airport made a formal submission on the emissions trading and renewable preferences bill.

Emissions trading

Due to its small emissions profile, Auckland Airport falls well below the 50,000-tonne threshold for participation in the emissions trading scheme. However, Auckland Airport faces increasing operating costs due to the price of carbon being introduced into energy and passed along the supply chain. Initial estimates, based on a price for carbon of $25 per tonne, indicate Auckland Airport will face an increase of $600,000 to its operating costs over the period 2010 to 2011.

Below: Auckland Airport took additional steps to improve fuel efficiency and reduce emissions with the introduction of low-emission diesel pool vehicles.
Right: Solar heating panels for heating water: New Zealand's largest photovoltaic display.

Energy and fuel efficiency

We have in place an energy conservation group that provides focus and action on the reduction of fuel and energy use, maximising of energy efficiency and minimising our climate change impact. In 2008, Auckland Airport produced an emission-reduction plan which is being implemented by the energy conservation group (ECOG).

ECOG includes representatives from across the company and enables us to influence and guide our retail and property tenants in energy conservation campaigns. In addition, a specific energy crisis team was established to monitor the power supply situation and ensure our participation in a national 'Powersavers' energy savings campaign that ran between May and July 2008. A focus on our pool vehicles and company car fleet has seen a reduction in greenhouse gas emissions from vehicle fuel of 67 tonnes, or 12 per cent, over the last two years.

Managing noise

The tables below illustrate the scale of our noise-management activites.

Noise enquiries

	2008	2007	2006	2005
Number of enquiries	37	21	28	106

Noise-management expenditure

	2008	2007	2006	2005
Expenditure ($m)	$1.717	$1.818	$0.358	$0.463

Environmentally sustainable design

The roof of the new international arrivals area is the home to the largest photovoltaic solar array in New Zealand. The award-winning 300m² solar panel installed on the roof converts the sun's energy directly into electrical energy. The solar energy generated is enough to power the arrivals corridor lights during the day, providing an estimated energy generation of 49,500 kWhr per year, equal to approximately three to four households' yearly energy use.

Five solar water heating panels are also installed on the roof, capturing solar energy for pre-heating water in the hot-water system. This solar energy services the public toilets on the first floor of the new arrivals area, and is estimated to generate energy savings of approximately 15,000 kWhr per year.

In other green initiatives, the building also incorporates high-efficiency chillers for air conditioning, condensing boilers that reclaim heat, enhanced insulation levels, low-energy lighting systems, and low-energy way-finding signage.

Leadership in energy and environmental design

The new Pier B, due to open in October 2008, remains on track to become New Zealand's first Leadership in Energy and Environmental Design (LEED) green-rated building. The LEED system promotes the creation of sustainable buildings. It focuses on the building life cycle, from site selection, water and energy efficiency, building materials to construction methods. Documentation has been submitted to the US Green Building Council (USGBC) for first stage review. This is the first of two review stages, and occurs in parallel with onsite construction. Once construction is complete, the second and final stage submissions are issued to the USGBC for full project certification. While the time frame for a response from the USGBC is unknown, we anticipate a response before the end of the 2008 calendar year.

Low-emission vehicles priority parks

As part of the LEED accreditation programme, Auckland Airport has installed 21 priority parks in the international public car park for hybrid vehicles and vehicles with engine sizes 1.6 litre or under. The parks are identified with a green priority parking sign.

Waste management

Ten recycling stations at Auckland Airport's international terminal are working well and plans are under way for more as the airport escalates our environmental programme to reduce the waste we send to landfill. Further stations will be installed at the international terminal, and a programme for the domestic terminal will start shortly. An audit of rubbish in the international terminal last year found a significant proportion could be recycled, and this led to an initial 10 stations being installed. The recycling stations consist of two bins, one for recycling material, the

Left: Chief executive officer Don Huse launches the new bus service.

Below: Rainwater tanks at Auckland Airport.

Right: Glimpse of airport apron through the new Pier B construction.

other for general waste. Recycled material currently includes plastic and glass bottles and aluminium cans, which are collected and taken off-site for processing.

Surface access

Auckland Airport has worked very closely with the Auckland Regional Transport Authority (ARTA) to improve public transport to the airport. In June 2008, an improved Airbus service was launched, providing a service every 15 minutes into Auckland's CBD. At the same time, a brand new service, the 380, was introduced linking the airport to Manukau City every half-hour. The route of this service, which is aimed primarily at the airport community workforce, includes a stop at Papatoetoe train station, which provides linkages with the rail network. Both these services represent a huge step forward in public transport to and from Auckland Airport.

Water conservation

Water is a finite resource and as Auckland Airport expands, it is looking to minimise its requirements for water. This includes environmentally sustainable design of existing buildings and retrofitting technologies to old buildings where practicable. Water usage per passenger is a key indicator of our sustainable performance (see table on page 30).

Rainwater harvesting

Rainwater is collected from the 5,000m^2 of roof above the expanded arrivals area and stored in several 25m^3 tanks. The recycled water is used by air conditioning cooling towers, the building's largest water user. An estimated 6,000m^3 of recycled rainwater per year will be used, helping reduce the need for municipal-supplied mains water.

Rainwater from the Pier B roof will be collected and stored in the same way that it is from the arrivals expansion building. The water is piped to the same rainwater reclaim tank farm, as the central air conditioning system serves both the arrivals expansion and Pier B. When the Pier B system comes on line, an estimated additional 6,000m^3 of recycled rainwater per year will be used, further helping reduce the need for municipal-supplied mains water.

Operational efficiency and safety

Auckland Airport installed Category III B lighting during the year, which ensures aircraft can land in low-visibility conditions. The implementation and use of this technology reduces the need for aircraft to divert, and reduces fuel burn as extra fuel (for potential diverts) will no longer be needed. Auckland Airport will continue to investigate appropriate KPIs for measuring the impact on our overall sustainability of improved operational efficiency and safety measures. Auckland Airport endeavours to continually improve and report on its performance in the area of environmental sustainability using the key matrix on the following pages.

Programme area	Objectives	Indicators	Results	Priority key actions for July 08 – June 09
Environmental management and stakeholder relationships	Ensure appropriate management systems and plans are in place to satisfactorily address all environmental risks affiliated with activities on airport land. Work towards a leadership position in establishing, promoting and maintaining environmental awareness across the entire airport. Implement and manage all Auckland Airport resource consents for 100 per cent compliance. Be involved in the development of, and compliance with, relevant legislation, standards and Auckland Airport guidelines.	Total environmental protection spending by Auckland Airport ($m) NB: excludes noise mitigation (listed elsewhere)	FY06 – NA FY07 0.64 FY08 0.49	Revised environmental management system to focus on environmental plans for each key topic area. Continued use of resource consents database (CS-VUE) to manage the company's compliance. Ongoing implementation of Auckland Airport environmental policy.
		Number of non-compliant notices	FY06 – Nil FY07 – Nil FY08 – Nil	
Resource efficiency	Ensure sustainability considerations in purchasing frequently procured items. Promote and practise energy efficiency and water conservation. Ensure sustainability considerations in new building developments across the airport.	Total potable water used in cubic metres per passenger	FY06 0.0533 FY07 0.0503 FY08 0.0525	Water usage KPI to be reviewed and enhanced to reflect wider efficiency. Energy Audit to be completed. Energy Management Plan to be produced. ECOG to continue to work on energy efficiency projects. Work with retailers and property tenants to promote energy efficiency across the airport to be enhanced. LEED accreditation to be achieved for international terminal Pier B. Principles of environmentally sustainable design to be enhanced in terminal construction projects and wider building and infrastructure.
		CO_2e from electricity and gas usage for Auckland Airport in metric tonnes	Electricity FY06 6,555* FY07 6,585 FY08 6,833 (*adjusted using updated emissions factor) Gas FY06 1,025* FY07 1,752 FY08 1,846 (*adjusted using new operational boundary)	
Ground transport	Promote actions to increase fuel efficiency of Auckland Airport vehicle fleet. Encourage use of alternative/ sustainable transport modes airport wide. Minimise airport-wide traffic-related environmental impacts.	Number of airport workers registered with *Lift* carpooling (February 06 – July 07)	FY06 – NA FY07 – 343 FY08 – 528	Airport travel plan *Lift* to be promoted with regular newsletters and events. Work with national, regional and local transport bodies to continue to further improve public transport options to and from the airport. Continue to monitor improvements to vehicle emissions profile due to fleet replacement programme.
		CO_2e from company vehicles	FY06 – 581 FY07 – 563 FY08 – 514	
Climate change and air quality	Minimise air emissions from ground-based activities on airport land. Understand climate change issues at Auckland Airport and implement initiatives to address these.	Total CO_2e emissions for Auckland Airport	FY06 10,654* FY07 10,958 FY08 11,306 (*adjusted using updated operational boundary and emission factor)	Carbon footprint to be calculated for whole of airport operations working with airlines and wider airport community. Emissions-based sustainability indicators to be explored for airport construction projects. Explore opportunities with airlines to record emission reductions due to installation of ground power units and Cat III B lighting. Continue to explore KPIs for monitoring Auckland Airport's sustainable development from a climate change perspective.

Programme area	Objectives	Indicators	Results	Priority key actions for July 08 – June 09
Stormwater, groundwater and soil	Minimise impact of activities on airport land and on surface and groundwater quality adjacent to Auckland Airport. Manage Auckland Airport's known and suspected contaminated sites in accordance with regulatory requirements and work with tenants to ensure they also achieve this.	Significant (>2m^2) hydrocarbon spills contained per 100,000 aircraft movements (on the apron)	FY06 N/A FY07 1 FY08 1	Continue airport-wide stormwater education programme. Continue use of spill kits on the apron area to clean up minor pollution incidents. Work with Manukau City Council on mitigation options for perennial stream loss in the north airport area.
		Number of spills that went to the environment	FY06 N/A FY07 0 FY08 0	
Noise	Minimise impact on the community from aircraft noise. Ensure compatible development in the local community. Implement and manage the noise requirements under the Manukau District Plan.	100 per cent compliance with the Manukau District Plan noise requirements	FY06 achieved FY07 " FY08 "	Annual aircraft noise contours, last published in October 2007, measured again. 241 offers made in April 2008, to be measured again in 2008/09. Acoustic treatment work progressed on more than 50 houses. Acoustic treatment progressing at Clover Park School.
		Noise enquiries per 100,000 aircraft movements	FY06 17.5 FY07 13.2 FY08 23.1	
Natural environment	Encourage the use and preservation of native New Zealand plant species in landscaping. Maintain an active wildlife management programme whilst maintaining a safe environment.	CAA risk category for bird strike (low, medium, high)	FY06 low FY07 low FY08 low	Continue with wildlife hazard management programme.
		85 per cent of trees planted are native species	FY06 achieved FY07 " FY08 "	
Waste management	Minimise waste from Auckland Airport activities on airport land. Dispose of Auckland Airport waste responsibly across the airport. Educate and provide facilities for others to minimise waste and dispose of it responsibly. Ensure quarantine waste obligations are met.	No indicator available	N/A	KPI for waste management to be explored by sustainability forum.
Culture and heritage	Ensure Auckland Airport manages issues of heritage significance in accordance with applicable legislation. Enhance Auckland Airport's relationships with local tangata whenua and other culture and heritage stakeholders.	No indicator available	N/A	KPI for culture and heritage to be explored by sustainability forum.

We aspire to provide all travellers with an outstanding and uniquely kiwi welcome.

Far right: Keeping visitors to the airport safe and healthy is key to our operations.

Social performance

Our people

Auckland Airport celebrates being part of a dynamic airport community by greeting travellers with a culturally diverse and vibrant workforce. Auckland Airport embraces diversity by employing people of different backgrounds and ethnicities.

As a member of the Equal Employment Opportunity Trust, Auckland Airport provides a workplace that is accessible. We offer flexibility, and we support employees' particular work-life balance needs where practicable, taking into account family responsibilities, disabilities and cultural considerations.

This year also saw the implementation of a new performance development system (PDS) to support company and individual aspirations, encourage and promote development opportunities, aspire to achieve excellence in all that we do and drive constantly for high performance. The PDS system has been through one complete performance cycle successfully and is now embedded into the Auckland Airport operation.

Auckland Airport is an employer of choice. We have a robust employment brand, and we offer competitive market remuneration. We continually invest in developing and motivating our employees. 'Living our spirit' is becoming an integral part of the company ethos and culture.

People safety

Our approach to occupational health and safety (OH&S) is driven by our care for our people, and all those to whom we owe a duty of care. This is consistent with our core value: to operate in a safe and secure environment. Our goals are to provide and maintain a healthy, safe and injury-free workplace for all, to foster the well-being of our staff, and to create a positive and supportive safety culture within the airport community. This is underpinned by our belief that excellence in safety is the key to good business, thus enabling our ongoing improvement and success.

Gender breakdown	Male %	Female %
Total permanent staff	68	32
Senior and middle management (EEO top three tiers)	74	26
Divisions		
Aeronautical	68	32
Property	89	11
Retail	41	59
Engineering	90	10
Other, corporate, IT, people and performance, legal, finance, corporate affairs	33	67

Health and Safety Management System

Auckland Airport's health and safety management system (HSMS) has recently been reviewed and substantially updated. The HSMS defines how various aspects of occupational health and safety operate across the business. Auckland Airport maintains secondary accreditation in the ACC work safety management practice programme. The company will be audited again in November 2008 with a view to achieving tertiary level accreditation. Our current focus is the review, development and implementation of new and existing policies and safe operating procedures that support the HSMS and provide clear guidance on the operational management and application of OH&S. This is underpinned by an annual strategic occupational health and safety plan.

The HSMS places responsibility for safe behaviour with all employees within the business. It then holds line managers and supervisors accountable to ensure these responsibilities are properly discharged. The key message is that safety management resides in the workplace as a shared responsibility between employee and employer, and does not sit with any

one person, group or function within the business. The application of these principles is overseen by an occupational health and safety steering committee.

The fundamental principles of our system are:

- Management accountability
- All injuries must be reported, recorded and investigated
- All identified hazards must be assessed, mitigated and reviewed
- All injuries are preventable – zero harm can be our only goal
- The lowest standards we accept become the highest standard we can expect.

Visitors to our sites

We continue to encourage the reporting of injury and near-miss events that involve visitors to the airport. This provides us with an important insight to risk. Further data analysis and investigation provides us with valuable 'lessons learned' that can be applied to staff training and decisions around the future design of our facilities. Specifically, we have stepped up our efforts to reduce the number of repeat near-miss events, sources of future risk and events with high risk potential. Airport emergency services provide a key role in not only attending injury events, but reporting these events and initiating investigation.

Contractor safety

Contractors are telling us they face specific challenges in achieving high safety standards on our projects and site. We recognise, as the principal and client, that we need to do more to support our contractors by consulting with them and working alongside them to improve project safety performance. Auckland Airport's safety requirements are defined in the 'airport contractor guidelines'. The scope of this is extensive. Specialised aviation matters unique to an airport are included, as are other high-risk work activities controlled by permits such as hot work, ground penetration, and confined space operations. Contractors are also required to prepare site-specific 'safety management plans'. These are reviewed by Auckland Airport prior to site works starting. Further audit and inspection reviews are periodically conducted by Auckland Airport throughout the duration of the project and the contractors' performance against their safety management plan is reviewed at project completion.

Lost time injuries	2008	2007	2006	2005
Lost time injuries – actual	5	11	11	6
Lost time injury frequency rate – per 1,000,000 hours worked	7.60	16.48	18.02	8.90

Sponsorships ($m)	2008	2007	2006	2005
Total dollar equivalent	$0.393	$0.270	$0.526	$0.513

Fostering a safe airport community

The airport is a complex and dynamic site with multi-organisation operations converging in common work areas to provide essential services to the airport. A particular area of risk is the aerodrome apron. A collaborative and consultative approach is being taken to improve safety in this area. As a result, airport user organisations have been developed and have signed a milestone safety document, the apron code of conduct. This is a stepping stone to the development of a code of practice for the safe servicing and turnaround of aircraft. The objective of this process is to develop common and agreed safety standards, and to foster a positive safety culture and community at the airport. These safety efforts are supported by a multi-organisation airport health and safety steering committee. Feeding into this high-level forum is an apron and a landside safety committee.

Far left: Spare change is collected from travellers and donated to charity.

Left: Our marae, Te Manukanuka o Hoturoa, is unique to Auckland Airport.

Right: Auckland Airport participated in the Sky Tower Challenge.

Far right: Black Beauty and the 777 ready to race.

Safety performance

Auckland Airport operates under the philosophy that all injuries are preventable and zero harm can be our only goal. The business is committed to improving its lost time injury performance. As a result, lost time injury frequency rate (LTIFR) is a primary key performance indicator for the business. The business has seen a significant reduction in lost time injuries (LTIs) over the financial year. Actual LTIs have reduced from 11 in 2007 to 5 in 2008. This represents a 54 per cent improvement. The big improvers are airport emergency services (3 LTIs down from 6), facilities management (1 LTI down from 3) and customer services (0 LTIs down from 2).

Culture and heritage

As New Zealand's major gateway, Auckland Airport has the responsibility of providing visitors with their first and last experience of our country. We take this responsibility seriously, wanting to ensure that those first and last experiences are a strong reflection of our unique New Zealand culture and heritage. Much of the new international arrivals area features iconic and cultural New Zealand imagery reflecting the journey across the ocean. This imagery has been provided through a special partnership between Auckland Airport and the Museum of New Zealand, Te Papa Tongarewa.

www.airportmarae.co.nz

A unique website has been set up to support and promote Te Manukanuka o Hoturoa, the Auckland Airport marae, to encourage awareness of the services provided by the marae, and to stimulate interest in local history. Our marae has a number of important purposes.
In essence, it is to provide a cultural heart at the airport – a place to enhance and share Maori history with all visitors, both local and international. One of our marae's most important purposes is to provide a culturally sensitive venue for the collection of tupapaku (deceased) on their return to New Zealand. Other important purposes are: to host official functions including welcoming and farewelling visiting dignitaries; to engage cultural and social activities; to provide educational programmes; and to contribute to the airport facilitation in emergency situations.

Te Manukanuka o Hoturoa Marae at Auckland Airport celebrated Matariki, the marking of the New Year, on Wednesday 18 June with an evening of cultural entertainment with special guests who provided music, dance and kapa haka. The evening was attended by airport staff, tangata whenua, sponsors and the wider airport community.

Community and sponsorship

Our commitment to community and social responsibility is not just about consultation on proposed new investments or airport initiatives. It is also about 'giving back' to New Zealand through a community investment and sponsorship programme focused on education, health, arts and culture, and sustainability.

This financial year, Auckland Airport installed new donation globes throughout the international terminal, into which travellers dispose of their unwanted change. This change is then distributed to local charities. The globes are emptied several times a year and the latest collection (four months' worth) totalled NZ$53,000 containing 92 different currencies.

Airport Community Trust

Auckland Airport provides funding for the Auckland Airport Community Trust, which in turn funds literacy programmes in the community surrounding the airport.

This year saw a community funding milestone reached with over NZ$1 million in total now having been allocated to programmes over the time of the Trust.

On 10 May 2008, over 200 firefighters from all over New Zealand participated in the Firefighter Sky Tower Challenge, a vertical race in full uniform up Auckland's Sky Tower, all in aid of the Leukaemia and Blood Foundation. In preparation for the event, several members of Auckland Airport's emergency service team climbed a reversed escalator in the international terminal, at the same time generating $2,208 for the charity ahead of the race itself.

Black Beauty

January 2008 saw Auckland Airport adjusting its flight schedule for the first time in history to accommodate a unique race between an A1GP car and an Air New Zealand passenger jet, to promote the 21-nation A1GP event in Taupo. New Zealand A1GP motor racing driver, Jonny Reid, and his Black Beauty vehicle took on an Air New Zealand Boeing 777, with Black Beauty reaching almost 300kmh as it overtook the Boeing just before it left the tarmac. The event also helped to promote A1GP's switch to biofuel at the Taupo round. A1GP introduced a 30 per cent biofuel mix, an ethanol-based product sourced from sugar beet in Europe, which produces less harmful emissions than do conventional fuels.

Aero ABC

New Zealand children now have no excuses for not knowing everything about airports, thanks to a new educational website developed by Auckland Airport. A group of teachers joined Auckland Airport to help develop the online resource and ensure it is linked to the new curriculum and its key competencies. The site boasts a wonderful collection of activities, images and audio resources all designed to help educate children on the diverse range of activities that occur at New Zealand's busiest airport. Included on the site is an online booking form for Auckland Airport tours. The free tours cater for all school ages, are conducted by a qualified educator and designed to suit class objectives.

World Environment Day

Auckland Airport led by example during this year's World Environment Day by giving staff and travellers tips on how they can help save the planet. This year's theme of 'kicking the carbon habit' was marked around the world on Thursday 5 June with a series of events and promotions. New Zealand was under the world media spotlight this year as first-time hosts of the global event. Auckland Airport was right behind the initiative, spending the day promoting '24 messages in 24 hours' to its staff. From midnight onwards, staff were provided with hourly tips, ideas and initiatives on how to reduce carbon emissions in everyday life.

Economic performance

Auckland Airport continues to perform well economically. Strong and sustainable economic performance is crucial to support sustainable growth. A detailed financial report is included in the next section of this annual report.

As a major purchaser of goods and services, Auckland Airport has the ability to influence and support sustainable business practice along our supply chain.

Our sustainability forum is working to define suitable performance indicators for procurement over the coming 12 months, in order to ensure that we promote sustainable business practice with all of our partners and suppliers.

Financial report

Introduction

This section provides an overview of the financial results and key trends for the year ended 30 June 2008 compared with the previous financial year. A summary of the company's financial position, capital expenditure programme, financing sources and key performance indicators is also provided. Readers are referred to the accompanying notes and accounting policies as set out in the financial statements.

Results overview

	2008 $m	2007 $m	% Change
Financial performance			
Revenue	351.030	321.946	9.0
Operating expenses	75.194	79.230	– 5.1
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	275.836	242.716	13.7
Total earnings before interest, taxation and depreciation (Total EBITDA)	279.969	382.876	– 26.9
Profit after taxation	112.959	230.864	– 51.1
Earnings per share			
– cents per share	9.24	18.91	– 51.1
Ordinary dividends			
– cents per share	8.20	8.20	-
– amount	100.213	100.136	0.1
Financial position			
Shareholders' equity	1,896.633	1,914.965	– 1.0
Total assets	3,092.907	2,982.683	3.7
Capital expenditure	142.930	105.405	35.6

Results overview

The company enjoyed a solid year in 2008. The financial result highlights growth across all key revenue lines flowing through to a strong increase in Operating earnings before interest, tax, depreciation and amortisation (EBITDA).

The operating expenses for the 2008 financial year were $75.194 million, a decrease of 5.1 per cent from the 2007 year.

However, in 2007, operating expenses were adversely affected by a significant increase in the company's provisioning for its long-term incentive (LTI) schemes for senior management and staff of $9.925 million. In 2008, this LTI provision was partially reversed by $4.747 million.

The company now reports its results under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Under NZ IFRS, changes in the fair value of the company's investment properties are recorded in the income statement. The 2008 financial result shows a positive increase in the valuation of the company's investment property portfolio. However, the size of the increase in 2008 was considerably less than the corresponding increase in 2007. This results in the reported net profit after tax for 2008 being considerably less than it was in 2007.

In 2008, the company also incurred expenditure responding to various ownership proposals. These costs are not expected to occur in future periods.

The profit after tax for the 2008 financial year was $112.959 million. The 2007 financial year profit after tax was $230.864 million. If the 2008 financial year is adjusted for the effect of the revaluation of investment property, the costs of ownership proposals and the positive reversal of the LTI provision, the profit after tax would be $103.728 million. If the 2007 financial year is also adjusted for the effect of that year's revaluation of investment property and the cost of the LTI provision, the 2007 profit after tax would be $100.439 million.

Accordingly, after adjusting for one-off items and the change in fair value of the company's investment properties, net profit after tax increased 3.3 per cent in 2008.

Ordinary dividends per share were 8.20 cents, equivalent to the 2007 year.

The company continued its capital expenditure programme during the 2008 year, investing a total of $142.930 million in a range of airfield, terminal, retail and property projects.

As a result of the company's capital expenditure investment programme, total assets as at 30 June 2008 increased $110.224 million to $3,092.907 million. Shareholders' equity decreased to $1,896.633 million.

The capital expenditure investment programme in 2008 completes a significant period of investment in the assets of the company. Over the last five years, the company has invested $561 million in a range of projects to develop Auckland Airport for the benefit of all its users.

A five-year summary of the company's financial results and key statistics is set out under the 'Five-year summary'.

Passenger and aircraft statistics

	2008	2007	% Change
Passenger movements			
International arrivals	3,265,383	3,174,909	2.8
International departures	3,267,902	3,198,518	2.2
Transits and transfers	929,398	912,970	1.8
Total international passengers	7,462,683	7,286,397	2.4
Total domestic passengers	5,740,089	5,068,794	13.2
Total passenger movements	13,202,772	12,355,191	6.9
Aircraft movements			
International aircraft movements	39,053	38,406	1.7
Domestic aircraft movements	120,574	117,469	2.6
Total aircraft movements	159,627	155,875	2.4
Cargo tonnage			
International freight and mail	191,301	195,008	– 1.9
Domestic freight and mail	29,698	29,507	0.6
Total freight and mail	220,999	224,515	– 1.6
MCTOW (maximum certificated take-off weight)			
International MCTOW	4,120,430	4,085,290	0.9
Domestic MCTOW	1,816,370	1,661,844	9.3
Total MCTOW	5,936,800	5,747,134	3.3

Financial performance

Passengers arriving at Auckland by country

	2008		2007		Change	
	Arrivals	%	Arrivals	%	Arrivals	%
Country of last permanent residence						
New Zealand	1,500,932	46.1	1,415,325	44.7	85,607	6.0
Australia	536,864	16.5	514,446	16.3	22,418	4.4
United Kingdom	249,744	7.7	255,116	8.1	– 5,372	– 2.1
United States of America	172,225	5.3	181,700	5.7	– 9,475	-5.2
People's Republic of China	117,528	3.6	109,285	3.5	8,243	7.5
Japan	75,236	2.3	84,023	2.7	– 8,787	– 10.5
South Korea	67,743	2.1	82,300	2.6	– 14,557	– 17.7
Germany	45,797	1.4	43,693	1.4	2,104	4.8
Canada	44,323	1.3	40,165	1.3	4,158	10.4
Taiwan	18,305	0.6	24,500	0.8	– 6,195	– 25.3
India	22,448	0.7	20,281	0.6	2,167	10.7
Singapore	16,563	0.5	17,645	0.5	– 1,082	– 6.1
Malaysia	17,409	0.5	17,895	0.5	– 486	– 2.7
Other	372,798	11.4	358,366	11.3	14,432	4.0
Total	3,257,915	100.0	3,164,740	100.0	93,175	2.9

Source: Statistics New Zealand

Passenger and aircraft statistics

In the 2008 year, total passenger movements were 13,202,772, an increase of 6.9 per cent over the 2007 year.

International passenger movements continued to grow, albeit at a rate lower than the company's long-term average. Total international movements reached 7,462,683, an increase of 2.4 per cent over the previous year.

Total domestic passenger movements increased by 13.2 percent over the 2007 year. The increased volume in domestic passengers is attributable to the increased competition in the domestic market following the commencement of services by Pacific Blue in November 2007.

New Zealanders and Australians, based on country of last permanent residence, collectively made up 62.6 per cent of international passenger arrivals at Auckland Airport, an increase over the prior year. The continued significant contribution of trans-Tasman passengers reflects the continued popularity of this sector. The trans-Tasman sector provides the company with a solid base of passenger movements. This is expected to continue with ever-closer business and tourism linkages between Australia and New Zealand, further increases in capacity on the trans-Tasman sector and the reduction in value of the New Zealand dollar against the Australian dollar.

Strong international passenger growth came from China (7.5 per cent), India (10.7 per cent), and Canada (10.4 per cent). The growth in these markets reflects new direct flights to China and Canada, as well as growth in the developing economies of China and India.

Overseas visitor arrivals by purpose of visit

	2008	2007	% Change	% of total
Purpose of visit				
Business/conference	240,092	247,151	– 2.9	14.1
Holiday/vacation	772,297	787,717	– 2.0	45.4
Education/medical	42,195	41,906	0.7	2.5
Visiting friends/relatives	523,421	502,606	4.1	30.7
Other	124,451	116,358	7.0	7.3

Source: Statistics New Zealand

These increases were, however, offset by declines from traditional markets such as Japan, Korea, Taiwan, Singapore and Malaysia which have been affected by reductions in flight capacity, shifts in travel preferences and the relative strength of the New Zealand dollar.

Declines have also been experienced from the United Kingdom and United States of America. Travel volumes from these markets reflect the slow-down in these economies and also the cost of long-haul travel.

The outlook for passenger volumes in 2009 may be affected also by slowing world economies and higher fuel prices.

The largest categories by purpose of visit remain holidays (45.4 per cent) and visiting friends and relatives (30.7 per cent).

Total aircraft movements were 159,627, an increase of 2.4 per cent over 2007. International aircraft movements were 39,053, an increase of 1.7 per cent over 2007. Domestic aircraft movements were 120,574, an increase of 2.6 per cent.

Auckland Airport cargo tonnage during 2008 was 220,999 tonnes, a decrease of 3,516 tonnes (1.6 per cent) over 2007.

The total maximum certificated take-off weight (MCTOW) was 5,936,800 tonnes, an increase of 189,666 tonnes (3.3 per cent) over 2007. The majority of the MCTOW increase was for domestic aircraft driven by the increase in aircraft movements and the use of larger aircraft to meet the increased passenger demand. The company's airfield income is determined from the MCTOW of aircraft landing at Auckland Airport.

Revenue

	2008 $m	2007 $m	% Change
Aeronautical revenue			
Airfield	70.129	66.266	5.8
Passenger services charge	66.952	64.389	4.0
Terminal services charge	22.897	21.888	4.6
	159.978	152.543	4.9
Non-aeronautical revenue			
Retail	103.379	93.744	10.3
Property rentals	40.220	33.267	20.9
Car parks	29.252	25.878	13.0
Interest	0.563	1.076	– 47.7
Utilities and general	16.587	14.534	14.1
Associated companies	1.051	0.904	16.3
	191.052	169.403	12.8
Total revenue	351.030	321.946	9.0

Financial performance

Airfield

As noted above, airfield landing charges are based on the MCTOW of aircraft. In the 2008 financial year, airfield income was $70.129 million, an increase of $3.863 million (5.8 per cent) over 2007. This increase was primarily due to the increase in MCTOW and a 2.5 per cent price increase from 1 September 2007.

Passenger services charge

The passenger services charge (PSC) is levied on departing international passengers and provides part of the company's return on its terminal assets. Income from the PSC was $66.952 million, an increase of $2.563 million (4.0 per cent) over the previous year. Growth in the PSC was driven by the increase in departing passengers 12 years old and over.

The PSC remained throughout the year at $25 (GST inclusive) per departing international passenger.

From 1 July 2008, the method of collecting the PSC changed from charging passengers as they depart to levying airlines based on the number of international arrivals and departures. The new PSC levy is $13, including GST, for both departing and arriving travellers. The change in the method of collecting the PSC brings Auckland Airport into line with common practice at other international airports around the world, and will greatly improve the facilitation process for departing passengers.

Terminal services charge

The terminal services charge (TSC) reflects costs and recoveries from the airlines for international terminal operational areas, and is based on an agreed formula applied each year. In the 2008 financial year, the TSC was $22.897 million, an increase of $1.009 million (4.6 per cent) over 2007. This primarily resulted from an increase in the rate charged for space in the international terminal.

Retail

The company earns significant revenue from its retail concessions, including duty free and specialty stores, foreign exchange and food and beverage outlets. In the 2008 financial year, retail income was $103.379 million, an increase of $9.635 million (10.3 per cent) over 2007.

Retail income per international passenger (including transits and transfers) was $13.85 in the 2008 year, compared with $12.87 in the previous year. The increase results from a strong performance in a range of areas including duty free, foreign exchange, car rentals, advertising and food and beverage. In April 2008, a new DFS duty free store was opened in the new arrivals hall. The store is the biggest in the Asia-Pacific region, at 1,600m^2, and brings a much broader range of products to meet the needs of the international arrival passengers.

Property rentals

Auckland Airport earns rental revenue from space leased in facilities such as terminals and cargo buildings, and stand-alone investment properties. Rental income was $40.220 million in 2008, an increase of $6.953 million (20.9 per cent) over 2007. This was largely due to positive rent reviews and improved recoveries of outgoings, along with some additional rentals from properties completed in the period.

The result of the 2008 valuation was an increase in value of the investment portfolio of $13.721 million, primarily caused by an increase in rental income offset by an increase in the average yield. The 2007 increase was $140.160 million driven mainly by the increase in the valuation of development land. Auckland Airport has 315 hectares of land for development for investment property.

Car parks

At 30 June 2008, the company had parking facilities for 7,967 cars. This is slightly fewer than the 8,449 parks at 30 June 2007 as the company is in the process of reconfiguring the international terminal car parks and forecourt. Following completion of this and the launch of a new car-parking facility in the North Airport area scheduled for late 2008, the company will have a total of 9,144 car parks. Revenue from car parks was $29.252 million, an increase of $3.374 million (13.0 per cent). This resulted primarily from the growth in numbers of domestic travellers and increased usage of the domestic terminal car parking facilities.

Utilities and general

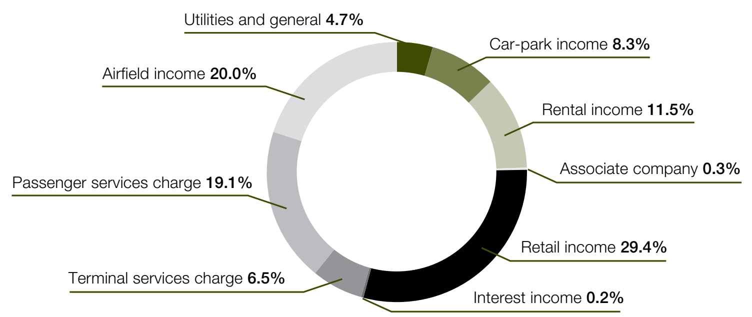
This category includes utilities (sale of electricity, gas and water), rates recoveries from tenants, transport licence fees, counter rentals and other miscellaneous revenue items. Total income from these sources was $16.587 million, an increase of $2.053 million (14.1 per cent) over the previous year.

Associated company

The company partners with the United States-based international food and beverage operator, HMSC-AIAL Limited, in a joint venture to operate food and beverage services at the international terminal. The company's share of the surplus after tax was $1.051 million, an increase of 16.3 per cent over the previous year.

This reflects positive trading, an improved product range and a greater focus on staff customer service.

Revenue by source



Operating expenses

	2008 $m	2007 $m	% Change
Staff	24.893	36.045	– 30.9
Repairs and maintenance	25.717	22.987	11.9
Rates and insurance	7.389	6.271	17.8
Other	17.195	13.927	23.5
Total operating expenses	75.194	79.230	– 5.1

Operating expenses

Total operating expenses were $75.194 million, a decrease of $4.036 million (5.1 per cent) over the 2007 year.

The staff costs in 2008 were reduced by a $4.747 million reversal of the company's provision for LTI schemes for senior management and staff. The 2007 year staff costs included a $9.925 million LTI provision.

The repairs and maintenance costs include a wide range of maintenance costs including utilities and cleaning. The increase in the 2008 year is impacted by the increase in the size of the terminal assets in both the domestic and international terminals. This results in higher air conditioning, cleaning, electricity, water and gas costs.

The rates and insurance expenses increased 17.8 per cent to $7.389 million. The rates component of this expense category was the main contributor to the increase with rates increasing 29.3 per cent.

The other category includes consultancy, legal expenses, shareholder expenses, general supplies and directors' fees. The increase in 2008 is largely in legal expenses relating to the costs incurred in defending the land claim of the Craigie Trust, review of the company's regulatory regime, Air New Zealand judicial review proceedings and the Commerce Commission investigation in relation to the company's duty free licences.

Operating EBITDA and Operating EBITDA margin

Operating EBITDA was $275.836 million, an increase of $33.120 million (13.7 per cent) over 2007. The Operating EBITDA margin was 78.6 per cent, an increase from the 2007 margin of 75.4 per cent. Excluding the LTI provision, the Operating EBITDA margin was 77.2 per cent, compared to 78.5 per cent in the previous year.

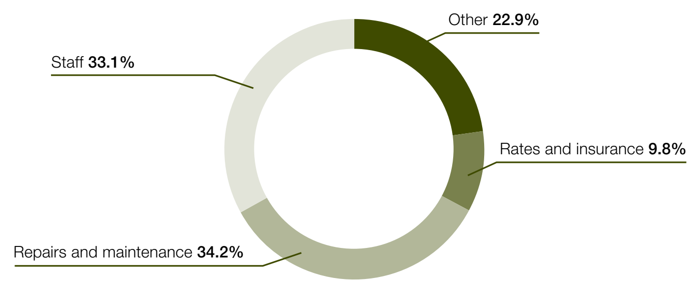
Depreciation, interest and taxation

Depreciation and impairment expenses were $46.973 million, an increase of $3.789 million (8.8 per cent) over the previous year. This mainly resulted from the company's continuing capital expenditure programme over the year.

The annual interest charge was $72.548 million, an increase of $9.809 million (15.6 per cent) over 2007, and was largely due to an increase in total borrowings to $1,042.520 million at year-end, compared with $904.532 million as at the 2007 year-end. The increase in borrowings primarily resulted from the company's funding for the ongoing capital expenditure programme (see below). Interest costs were also affected by interest rates increasing throughout the year. The average interest rate was 8.18 per cent for the 2008 year, compared with 7.46 per cent in the 2007 year.

Taxation expense was $47.489 million, an increase of $1.400 million (3.0 per cent) over the previous year.

Operating expenses by category



Profit after taxation

Profit after taxation was $112.959 million, a decrease of $117.905 million (51.1 per cent) over 2007. After adjusting for one-off items and the change in fair value of the company's investment properties, net profit after tax was $103.728 million, an increase of 3.3 per cent on the previous year. Earnings per share were 9.24 cents per share in 2008, compared with 18.91 in 2007. These figures include the changes in fair value of the company's investment properties and one-off items.

Dividends

Total ordinary dividends for the 2008 financial year will amount to 8.20 cents per share (equivalent to last year) or $100.213 million in total. Excluding one-off items and changes in fair value of the company's investment properties, this equates to a dividend payout ratio of 96.6 per cent, compared with 99.7 per cent last year.

The formal dividend payout policy remains at 90 per cent (excluding changes in fair value of the company's investment properties). However, the directors will consider the payment of ordinary dividends above this level, subject to the company's cash flow requirements and outlook at the time, and the availability of imputation credits.

The amount of the final dividend of 2.45 cents per share will be paid on 24 October 2008 to shareholders on the register at the close of business on 17 October 2008. The dividend will carry full imputation credits. In addition, the normal supplementary dividend, sourced from corresponding tax credits available to the company, will be paid to non-resident shareholders.

The final dividend for the 2008 year is less than the final dividend for the 2007 year due to the fact that the company increased the 2008 interim dividend. This was done to avoid the loss of surplus imputation credits which would have occurred if the CPPIB takeover offer had been successful.

Cash flow

Net cash flow from operating activities was $134.376 million, a decrease of $12.778 million (8.7 per cent) from 2007.

Cash flow

	2008 $m	2007 $m	% Change
Net cash flow from operating activities	134.376	147.154	– 8.7
Net cash flow from investing activities	(146.083)	(101.874)	43.4
Net cash flow from financing activities	10.806	(44.010)	– 124.6
Net (decrease)/increase in cash held	(0.901)	1.270	– 170.9

This was mainly the result of increases in the company's principal revenue lines not being sufficient to offset increases in tax, interest and payments to suppliers and employees. Payments to suppliers and employees were $28.993 million higher in 2008 due to cash payments made in connection with the ownership costs, payments under the LTI scheme in 2008, and an increase in operating expenses.

Net cash outflow from investing activities was $146.083 million, an increase of $44.209 million (43.4 per cent) over 2007.

Net cash inflow from financing activities was $10.806 million, an increase of $54.816 million (124.6 per cent), and mainly resulted from an increase in borrowings.

As at 30 June 2008, total assets amounted to $3,092.907 million, an increase of $110.224 million (3.7 per cent) over the previous year. The increase was primarily attributable to the company's ongoing capital expenditure programme.

Shareholders' equity was $1,896.633 million, a decrease of $18.332 million (1.0 per cent) compared with 2007. The decrease resulted from the dividends paid during the 2008 year being higher than profit after taxation.

Gearing (measured as debt to debt plus shareholders' equity) increased to 35.5 per cent, as at 30 June 2008, from 32.1 per cent, as at 30 June 2007. Based on the recent movements in the market value of the company's equity, the gearing (on a debt to enterprise value basis) is now 30.4 per cent. Details of the company's borrowings are set out below under Financing.

Capital structure and credit rating

As at 30 June 2008, Standard & Poor's long-term credit rating for Auckland Airport was A Negative Outlook. The short-term credit rating is A-1. The rating reflects Auckland Airport's strong position as the major international gateway to New Zealand, robust passenger demand, diverse revenue streams and low operational risk. These strengths are countered by Auckland Airport's weakened financial risk profile, mainly with regard to interest coverage ratios, as a result of the major capital expenditure incurred in recent years. An 'A' rating by Standard & Poor's highlights the strong capacity of Auckland Airport to meet its financial commitments.

The board of Auckland Airport is committed to retaining the company's strong credit rating and balance sheet position.

The company invested $142.930 million during the year, including capitalised interest, in a range of projects to increase capacity and upgrade facilities. The year of 2008 was the fourth of an increased capital expenditure programme to significantly develop and expand Auckland Airport's aeronautical facilities and services.

Investment of $95.400 million was made in the international terminal, mainly comprising the arrivals expansion $51.418 million, Pier B stage 1 $20.541 million, western forecourt road improvements and realignment $11.485 million, and $2.070 million for ground power units.

The company currently expects to invest approximately $75 million to $85 million in the 2009 financial year on a range of projects set out in the table below.

This includes completion of stage 1 of the new Pier B at the international terminal. Details of the key projects are set out in the chief executive officer's report, and are summarised below:

Financial position

	2008 $m	2007 $m	% Change
As at 30 June			
Non-current assets	3,060.008	2,955.076	3.6
Current assets	32.899	27.607	19.2
Total assets	3,092.907	2,982.683	3.7
Non-current liabilities	845.838	689.442	22.7
Current liabilities	350.436	378.276	– 7.4
Equity	1,896.633	1,914.965	– 1.0
Total equity and liabilities	3,092.907	2,982.683	3.7

Capital expenditure

Category	2008 $m	Key projects
Airfield	11.689	Northern runway development and taxiway reconstruction
International terminal	95.400	Arrivals expansion, Pier B stage 1, western forecourt and ground power units
Domestic terminal	9.623	Air New Zealand regional terminal renovation and new retail precinct
Car parking	3.997	Domestic car-park improvements and north-east vehicle platform
Infrastructure and other	15.519	Infrastructure for property development
Property development	6.702	Hangars, cargo buildings and investment property
Total	142.930	

Category	2009 $m
Airfield	18
International terminal:	21
Pier B stage 1	9
First floor retail	8
Other projects	4
Domestic terminal renovation	5
Car parking	3
Infrastructure and other	18
Property development	18
Total	83

Financing

As at 30 June 2008, the company's total borrowings were $1,042.520 million, an increase of $137.988 million (15.3 per cent) over the previous year. Short-term borrowings with a maturity of one year or less accounted for $300.793 million (28.9 per cent) of this amount. The balance of $741.727 million (71.1 per cent) comprised senior bonds, bank facilities and other instruments with maturities from one to eight years.

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 facility of up to $100.000 million. As at 30 June 2008, $170.000 million was drawn down on this facility, with the remaining $180.000 million being committed but undrawn.

Also in March 2008, the company established a dual tranche standby facility 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 standby facility is to support the commercial paper programme and to provide liquidity support for general working capital. As at 30 June 2008, no amounts were drawn down.

The company's borrowings also include commercial paper totalling $193.123 million, bank facilities totalling $445.000 million, and floating and fixed rate bonds totalling $371.597 million as at 30 June 2008. The commercial paper programme is supported by the standby facility. The company utilises the commercial paper programme, bank facilities and uncommitted money market lines for its working capital requirements. Further details with respect to the company's borrowings are set out in note 16 of the financial statements.

The company manages its exposure to financial risk on a prudent basis. This is achieved by spreading borrowings over different rollover and maturity dates, and entering into financial instruments such as interest rate swaps and forward rate agreements, in each case in accordance with defined treasury policy parameters.

Measures have been adopted to diversify the funding sources, increase committed but undrawn funding lines, and reduce the impact of interest rate fluctuations as the company's borrowings increase. Further details on the company's financial risk management objectives and policies are set out in note 20 of the financial statements.

The company has no material direct foreign currency exposure as almost all of its transactions are in New Zealand dollars.

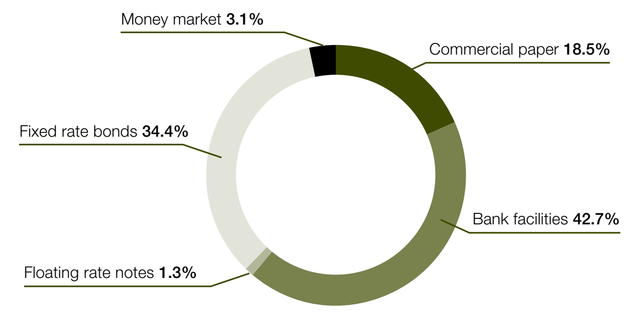
The company actively monitors a range of key performance indicators which includes both financial and operating ratios. The key ratios are set out in the table on page 44. Note that these indicators include the impact of the increased LTI provision in 2007 and the partial reversal in 2008 referred to above.

The Operating EBITDA margin, which is a measure of the company's operating efficiency, increased from last year due to the reversal of the LTI provision in 2008. The Operating EBITDA margin would have fallen from 78.5 per cent to 77.2 per cent if the 2007 and 2008 years were adjusted for the effect of the LTI scheme.

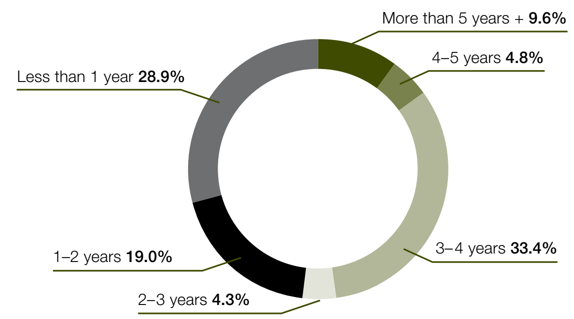
The company has continued to demonstrate improving operating efficiencies, which is highlighted in an increase to operating revenue per operating staff member.

The company's gearing and interest coverage ratios have declined over the year following the company's continued investment in its capital expenditure programme.

Borrowings by category



Borrowings by maturity profile



International financial reporting standards

The company adopted New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) in the preparation of the financial statements for the year ended 30 June 2008. In complying with NZ IFRS for the first time, comparative figures for the year ended 30 June 2007 have been restated.

The impact on the comparative period after the transition to NZ IFRS is detailed in note 28 of the financial statements.

Five-year summary

Set out below is a five-year summary of the company's financial results and key statistics.

Key performance indicators[1]

	2008	2007	% Change
Financial performance			
Operating EBITDA margin	78.6%	75.4%	+4.2
Return on total assets	3.7%	7.7%	– 52.0
Earnings per share (cps)	9.24	18.91	– 51.1
Financial position and gearing			
Debt/Debt + equity	35.5%	32.1%	+10.6
Debt/EBITDA	3.8	3.7	+2.7
Operating EBITDA interest cover	3.5	3.7	– 5.4
Operating efficiencies			
Passengers per operating staff	43,917	43,908	0.0
Operating revenue per operating staff	$1,167,648	$1,144,126	+2.1
Operating revenue per passenger	$26.59	$26.06	+2.0
Retail revenue per international passenger	$13.85	$12.87	+7.6
Car-park revenue per passenger	$2.38	$2.26	+5.3
Operating staff costs/ operating revenue	7.1%	11.2%	– 36.6

	2008	2007	2006	2005	2004
For the year ended 30 June					
Revenue ($m)	351.030	321.946	305.814	282.725	263.187
Operating earnings before interest, taxation, depreciation and amortisation ($m)	275.836	242.716	240.161	221.518	204.470
Profit after taxation ($m)[2]	112.959	230.864	103.155	105.641	94.315
Passenger movements	13,202,772	12,355,191	12,066,177	11,256,077	10,757,506
Aircraft movements	159,627	155,875	160,899	158,452	154,812
Maximum certificated take-off weight of an aircraft (tonnes)	5,936,800	5,747,134	5,826,503	5,727,574	5,594,863
Cargo tonnage (tonnes)	220,999	224,515	232,655	229,348	216,653
(Source: Statistics New Zealand)					
Earnings per share (cents)	9.24	18.91	8.44	8.65	7.74
Ordinary dividends per share (cents)[3]	8.20	8.20	8.20	8.20	6.95

Don Huse
Chief executive officer

Robert Sinclair
Chief financial officer

21 August 2008

[1] The key performance indicators are extracted from the financial statements and, where applicable, include changes in fair value of investment properties and one-off items such as changes in the LTI provision and ownership costs.

[2] This includes changes in fair value of investment properties.

[3] Note that this does not include special dividends and capital distribution.

Contents

Financial information:

Income statement

For the year ended 30 June 2008

	Notes	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Operating revenue					
Airfield income		70,129	66,266	70,129	66,266
Passenger services charge		66,952	64,389	66,952	64,389
Terminal services charge		22,897	21,888	22,897	21,888
Retail income		103,379	93,744	103,379	93,744
Rental income		40,220	33,267	40,220	33,282
Rates recoveries		3,132	2,736	3,132	2,739
Car park income		29,252	25,878	29,252	25,878
Interest income		563	1,076	544	1,048
Share of profit of an associate	6	1,051	904	1,051	904
Other revenue		13,455	11,798	13,837	11,794
Total operating revenue		351,030	321,946	351,393	321,932
Operating expenses					
Staff	4	24,893	36,045	24,893	36,050
Repairs and maintenance		25,717	22,987	25,717	23,293
Rates and insurance		7,389	6,271	7,389	6,274
Other		17,195	13,927	17,190	13,951
Total operating expenses		75,194	79,230	75,189	79,568
Operating earnings before interest, taxation and depreciation (Operating EBITDA)		275,836	242,716	276,204	242,364
Investment property fair value increases	10	13,721	140,160	13,721	140,160
Costs relating to ownership proposals		(9,588)	-	(9,588)	-
Total earnings before interest, taxation and depreciation (Total EBITDA)		279,969	382,876	280,337	382,524
Depreciation	9	46,973	43,184	46,973	43,184
Earnings before interest and taxation (EBIT)		232,996	339,692	233,364	339,340
Interest expense and other finance costs	4	72,548	62,739	72,548	62,739
Profit before taxation		160,448	276,953	160,816	276,601
Taxation expense	5	47,489	46,089	47,496	45,982
Profit after taxation		112,959	230,864	113,320	230,619
		Cents	Cents		
Earnings per share					
Basic and diluted earnings per share	8	9.24	18.91		

The notes and accounting policies on pages 50 to 87 form part of, and are to be read in conjunction with, these financial statements.

Statement of changes in equity

For the year ended 30 June 2008

	Notes	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Movement in cash flow hedge reserve:					
Gain/(loss) taken to equity	14	(2,467)	10,457	(2,467)	10,457
Transferred to income statement	14	(5,489)	(331)	(5,489)	(331)
Movement in deferred tax taken directly to equity	14	58	11,496	58	11,496
Net income recognised directly in equity		(7,898)	21,622	(7,898)	21,622
Profit after taxation		112,959	230,864	113,320	230,619
Total recognised income and expense		105,061	252,486	105,422	252,241
Increase in issued and paid-up capital	13	1,208	2,266	1,208	2,285
Ordinary dividends paid	14	(124,632)	(100,087)	(124,646)	(100,106)
Movement in share-based payment reserve	14	31	92	31	92
Changes in equity for the period		(18,332)	154,757	(17,985)	154,512
Equity at beginning of period		1,914,965	1,760,208	1,914,570	1,760,058
Equity at end of period		1,896,633	1,914,965	1,896,585	1,914,570

The notes and accounting policies on pages 50 to 87 form part of, and are to be read in conjunction with, these financial statements.

Balance sheet

As at 30 June 2008

	Notes	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Non-current assets					
Property, plant and equipment	9	2,523,019	2,428,002	2,523,019	2,428,002
Investment properties	10	524,280	509,900	524,280	509,900
Investment in subsidiary		-	-	-	592
Investment in associate	6	4,943	3,892	4,943	3,892
Derivative financial instruments	17	6,991	12,507	6,991	12,507
Other non-current assets		775	775	775	775
		3,060,008	2,955,076	3,060,008	2,955,668
Current assets					
Cash	11	693	1,594	693	1,057
Inventories		178	134	178	134
Prepayments		3,220	2,890	3,220	2,890
Accounts receivable	12	14,789	12,140	14,789	12,129
Taxation receivable		13,727	10,180	13,709	9,745
Derivative financial instruments	17	292	669	292	669
		32,899	27,607	32,881	26,624
Total assets		3,092,907	2,982,683	3,092,889	2,982,292
Shareholders' equity					
Issued and paid-up capital	13	170,265	169,057	170,402	169,194
Cancelled share reserve	14	(161,304)	(161,304)	(161,304)	(161,304)
Retained earnings	14	251,786	262,325	251,601	261,793
Property, plant and equipment revaluation reserve	14	1,630,815	1,631,891	1,630,815	1,631,891
Share-based payments reserve	14	895	864	895	864
Cash flow hedge reserve	14	4,176	12,132	4,176	12,132
		1,896,633	1,914,965	1,896,585	1,914,570
Non-current liabilities					
Term borrowings	16	741,727	587,490	741,727	587,490
Derivative financial instruments	17	3,758	6,151	3,758	6,151
Deferred tax liability	5	99,923	95,361	99,928	95,370
Other term liabilities		430	440	430	440
		845,838	689,442	845,843	689,451
Current liabilities					
Accounts payable and accruals	15	45,730	58,172	45,755	58,167
Derivative financial instruments	17	748	-	748	-
Short-term borrowings	16	300,793	317,042	300,793	317,042
Provisions	23	3,165	3,062	3,165	3,062
		350,436	378,276	350,461	378,271
Total equity and liabilities		3,092,907	2,982,683	3,092,889	2,982,292

These financial statements were approved and adopted by the board on 21 August 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 50 to 87 form part of, and are to be read in conjunction with, these financial statements.

Cash flow statement

For the year ended 30 June 2008

	Notes	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers		345,973	320,415	345,982	320,201
Interest received		563	1,076	544	1,048
		346,536	321,491	346,526	321,249
Cash was applied to:					
Payments to suppliers and employees		(95,980)	(66,987)	(95,949)	(66,919)
Income tax paid		(46,416)	(44,243)	(46,844)	(44,265)
Other taxes paid		(328)	(318)	(329)	(317)
Interest paid		(69,436)	(62,789)	(69,436)	(62,788)
		(212,160)	(174,337)	(212,558)	(174,289)
Net cash flow from operating activities	18	134,376	147,154	133,968	146,960
Cash flow from investing activities					
Cash was provided from:					
Proceeds from Waste Resources Limited		-	-	959	125
Proceeds from sale of assets		62	233	62	233
Other investing activities		-	500	-	500
		62	733	1,021	858
Cash was applied to:					
Purchase of property, plant and equipment		(135,964)	(84,325)	(135,964)	(84,325)
Interest paid – capitalised		(6,831)	(2,833)	(6,831)	(2,833)
Expenditure on investment properties		(3,350)	(15,249)	(3,350)	(15,249)
Other investing activities		-	(200)	-	(200)
		(146,145)	(102,607)	(146,145)	(102,607)
Net cash applied to investing activities		(146,083)	(101,874)	(145,124)	(101,749)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	13	1,208	2,285	1,208	2,285
Increase in borrowings		3,959,525	2,103,650	3,959,525	2,103,650
		3,960,733	2,105,935	3,960,733	2,105,935
Cash was applied to:					
Decrease in borrowings		(3,825,295)	(2,049,858)	(3,825,295)	(2,049,858)
Dividends paid	14	(124,632)	(100,087)	(124,646)	(100,106)
		(3,949,927)	(2,149,945)	(3,949,941)	(2,149,964)
Net cash flow applied to financing activities		10,806	(44,010)	10,792	(44,029)
Net increase/(decrease) in cash held		(901)	1,270	(364)	1,182
Opening cash brought forward		1,594	324	1,057	(125)
Ending cash carried forward	11	693	1,594	693	1,057

The notes and accounting policies on pages 50 to 87 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

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 International Airport Limited 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.

These financial statements were authorised for issue in accordance with a resolution of the directors on 21 August 2008.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis, except for investment properties, 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.

(b) Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS).

This is the first set of financial statements prepared in accordance with NZ IFRS. NZ IFRS 1 First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied. The financial statements of the group and parent 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 financial statements certain accounting policies applied in the prior NZ FRS financial statements have been changed to comply with NZ IFRS. Reconciliations of the impact of adoption of NZ IFRS are provided in note 28.

Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the group 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 group's financial statements.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries (the 'group').

Subsidiaries are all those entities, including special purpose entities, over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is obtained by the group and cease to be consolidated from the date on which control is transferred out of the group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

The financial statements of the subsidiaries are prepared for the same reporting period as for the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from transactions within the group have been eliminated in full.

(d) 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 from those of segments operating in other economic environments.

(e) 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.

(f) 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.

(g) Cash flow statement

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

Operating activities are the principal revenue-producing activities of the group 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.

(h) 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.

(i) Derivative financial instruments and hedging

The group 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 remeasured 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 group formally designates and documents the hedge relationship to which the group 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 group 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 group 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.

(j) 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 group 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.

(k) Investments in associates
The equity method of accounting is used for entities in which there is significant influence, but not controlling interests.

Under the equity method, the investment in the associate is carried in the group balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the group determines whether it is necessary to recognise any impairment loss with respect to the group's net investment in its associate.

The group's share of its associate's post-acquisition profits or losses is recognised in the group income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from the associate reduce the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds the carrying amount of an associate, including any unsecured long-term receivables and loans, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(l) 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, other than investment property revaluations, 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.

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.

(m) Investment properties
Investment properties are properties which are held to earn rental income, for capital appreciation or both. Land held for a currently undetermined future use is classified as investment property.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

If a property is currently classified as investment property and is being redeveloped for further use as investment property, it continues to be classified as investment property.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use. This may be evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use. This may be evidenced by commencement of owner-occupation or commencement of development with a view to sale.

A property transfer from investment property to property, plant and equipment or inventory, has a deemed cost for subsequent accounting at its fair value at the date of change in use. If an item of property, plant and equipment becomes an investment property, the group accounts for such property as an investment property only subsequent to the date of change in use. When the group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

(n) 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 group 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.

(o) Impairment of non-financial assets
Property, plant and equipment and investments in associates 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.

(p) 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 group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) 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.

(r) Provisions
Provisions are recognised when the group 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 group to mitigate the impact of aircraft noise on the local community. The group is required to offer acoustic treatment to certain houses and schools when predicted noise levels in the next 12 months are at defined levels. The group 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 group 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.

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

(t) Share-based payments
The group provides benefits to executives and employees of the group 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 group'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.

(u) 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.

Retail concession fees are recognised as revenue on an accrual basis based upon the turnover of the concessionaires and in accordance with the related agreements.

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

Revenue from public car parks is recognised on a cash-received basis. Revenue from staff car parks is recognised as revenue when the airport facilities are used.

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

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

(v) 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.

(w) 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 group re-acquires 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 transaction costs paid or received are recognised directly in equity.

(x) Earnings per share
Basic earnings per share is calculated as net profit 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.

Notes and accounting policies

continued
For the year ended 30 June 2008

3. Significant accounting judgements, estimates and assumptions

In producing the financial statements, the group 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) Fair value of investment property
The group remeasures the value of investment properties to fair value each year. The fair value of investment property is estimated by an independent valuer which reflects market conditions at the balance sheet date. Changes to market conditions or to assumptions made in the estimation of fair value will result in changes to the fair value of investment property. The carrying value of investment property and the valuation methodology is disclosed in note 10.

(b) Carrying value of property, plant and equipment
The group 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 9.

4. Expenses

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Staff expenses comprise:				
Salaries and wages	21,944	20,090	21,944	20,090
Other employee benefits	3,333	2,868	3,333	2,873
Share-based payment (refer note 25)	(4,716)	10,017	(4,716)	10,017
Defined contribution superannuation	637	622	637	622
Other staff costs	3,695	2,448	3,695	2,448
	24,893	36,045	24,893	36,050
Other expenses include:				
Audit fees	160	154	160	154
Auditors' other attestation fees	164	56	164	56
Auditors' tax compliance fees	184	125	184	125
Directors' fees	828	597	828	597
Donations	10	48	10	48
Doubtful debts written off	-	148	-	148
Doubtful debts – change in provision	360	(148)	360	(148)
Loss on disposal of property, plant and equipment	352	798	352	798
Finance costs comprise:				
Interest on borrowings	79,379	65,572	79,379	65,572
Interest capitalised	(6,831)	(2,833)	(6,831)	(2,833)
	72,548	62,739	72,548	62,739
Capitalisation rate for capitalised borrowing costs	8.18%	7.46%	8.18%	7.46%

5. Taxation

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
(a) Income tax				
The major components of income tax expense are:				
Current income tax				
Current income tax charge	44,304	45,997	44,310	46,385
Income tax over-provided in prior year	(1,437)	(1,042)	(1,431)	(1,042)
Deferred income tax				
Movement in deferred tax	5,015	(716)	5,010	(1,211)
Reduction in corporate tax rate	(393)	1,850	(393)	1,850
Taxation expense reported in the income statement	47,489	46,089	47,496	45,982
(b) Deferred taxation taken directly to equity				
Tax effect of movements in the property, plant and equipment revaluation reserve	102	3	102	3
Reduction in corporate tax rate	(44)	11,493	(44)	11,493
Deferred tax credit reported in equity	58	11,496	58	11,496
(c) Reconciliation between prima facie taxation and tax expense				
Profit before taxation	160,448	276,953	160,816	276,601
Prima facie taxation at 33%	52,948	91,394	53,069	91,278
Adjustments:				
Share of associate's tax paid earnings	(347)	(299)	(347)	(299)
Revaluation with no deferred tax impact	(3,496)	(46,025)	(3,496)	(46,025)
Income tax over provided in prior year	(1,437)	(1,042)	(1,431)	(1,042)
Reduction in corporate tax rate	(393)	1,850	(393)	1,850
Other	214	211	94	220
Taxation expense reported in the income statement	47,489	46,089	47,496	45,982

	Balance 1 July 2007 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2008 $000
(d) Deferred tax assets and liabilities				
Group				
Deferred tax liabilities				
Property, plant and equipment	90,491	(558)	(58)	89,875
Investment properties	9,583	2,133	-	11,716
Other	442	(78)	-	364
Deferred tax liabilities	100,516	1,497	(58)	101,955
Deferred tax assets				
Provisions and accruals	5,155	(3,123)	-	2,032
Deferred tax assets	5,155	(3,123)	-	2,032
Net deferred tax liability	95,361	4,620	(58)	99,923

	Balance 1 July 2006 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2007 $000
Group				
Deferred tax liabilities				
Property, plant and equipment	96,778	5,209	(11,496)	90,491
Investment properties	10,414	(831)	-	9,583
Other	1,034	(592)	-	442
Deferred tax liabilities	108,226	3,786	(11,496)	100,516
Deferred tax assets				
Provisions and accruals	2,503	2,652	-	5,155
Deferred tax assets	2,503	2,652	-	5,155
Net deferred tax liability	105,723	1,134	(11,496)	95,361

Notes and accounting policies

continued
For the year ended 30 June 2008

	Balance 1 July 2007 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2008 $000
Parent				
Deferred tax liabilities				
Property, plant and equipment	90,491	(558)	(58)	89,875
Investment properties	9,583	2,133		11,716
Other	442	(78)		364
Deferred tax liabilities	100,516	1,497	(58)	101,955
Deferred tax assets				
Provisions and accruals	5,146	(3,119)		2,027
Deferred tax assets	5,146	(3,119)		2,027
Net deferred tax liability	95,370	4,616	(58)	99,928

	Balance 1 July 2006 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2007 $000
Parent				
Deferred tax liabilities				
Property, plant and equipment	97,194	4,793	(11,496)	90,491
Investment properties	10,414	(831)	-	9,583
Other	1,034	(592)	-	442
Deferred tax liabilities	108,642	3,370	(11,496)	100,516
Deferred tax assets				
Provisions and accruals	2,415	2,731	-	5,146
Deferred tax assets	2,415	2,731	-	5,146
Net deferred tax liability	106,227	639	(11,496)	95,370

The reduction in the corporate tax rate from 33 per cent to 30 per cent 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.

	GROUP		PARENT	
	2008 $000	2007 $000	2008 $000	2007 $000
(e) Imputation credits				
Balance at beginning of year	43,194	47,910	43,182	47,905
Income tax paid	40,365	38,729	40,354	38,722
Credits attached to dividends paid	(54,981)	(42,869)	(54,981)	(42,869)
Income tax refunded	-	(576)	-	(576)
Balance at end of year	28,578	43,194	28,555	43,182

6. Subsidiaries and associate company

The group financial statements include the financial statements of Auckland International Airport Limited and the subsidiaries and associate listed in the following table:

	COUNTRY	PERCENTAGE EQUITY INTEREST 2008 %	2007 %
Waste Resources Limited	New Zealand	100	100
Auckland Airport Limited	New Zealand	100	-
Auckland International Airport Limited Share Purchase Plan	New Zealand	-	-
HMSC-AIAL Limited	New Zealand	50	50

Waste Resources Limited – subsidiary
Waste Resources Limited ceased trading on 19 May 2006.

Auckland Airport Limited – subsidiary
Auckland Airport Limited is a non-trading entity established on 23 July 2007.

Auckland International Airport Limited Share Purchase Plan – subsidiary
Auckland International Airport Limited Share Purchase Plan ('purchase plan') was established by the company 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 is consolidated as part of the group because it is deemed that the company has the power to govern the purchase plan due to the trustees of the purchase plan being employees of the company.

HMSC-AIAL Limited – associate
HMSC-AIAL Limited, which operates food and beverage facilities at the international terminal of Auckland International Airport, has a balance date of 31 December. Financial information for HMSC-AIAL Limited has been extracted from audited accounts for the period to 31 December and management accounts for the balance of the year to 30 June. The company did not receive a dividend from HMSC-AIAL Limited during the year (2007: Nil).

Carrying amount of associate company	GROUP 2008 $000	GROUP 2007 $000	PARENT 2008 $000	PARENT 2007 $000
Share of surplus of associate	1,538	1,350	1,538	1,350
Taxation expense	(487)	(446)	(487)	(446)
Share of surplus after tax of associate	1,051	904	1,051	904
Less share of dividends received	-	-	-	-
Net addition to investment carrying value	1,051	904	1,051	904
Share of associate's equity at beginning of the year	2,387	1,483	2,387	1,483
Cost of investment in associate	1,505	1,505	1,505	1,505
	4,943	3,892	4,943	3,892

Notes and accounting policies

continued
For the year ended 30 June 2008

7. Distribution to shareholders

		GROUP		PARENT	
		2008	2007	2008	2007
	Dividend payment date	$000	$000	$000	$000
2006 final dividend of 4.45 cps	20 October 2006	-	54,313	-	54,322
2007 interim dividend of 3.75 cps	30 March 2007	-	45,774	-	45,784
2007 final dividend of 4.45 cps	19 October 2007	54,362	-	54,368	-
2008 interim dividend of 5.75 cps	12 March 2008	70,270	-	70,278	-
Total dividends paid		124,632	100,087	124,646	100,106

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.

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.

8. Earnings per share

The earnings used in calculating basic and diluted earnings per share is $112.959 million (2007: $230.864 million). Earnings per share includes changes to fair value of investment property.

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

	GROUP	
	2008	2007
	Shares	Shares
For basic earnings per share	1,221,923,968	1,220,804,727
Effect of dilution of share options	637,847	281,603
For dilutive earnings per share	1,222,561,815	1,221,086,330

Options granted to executives as described in note 25 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.

9. Property, plant and equipment

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

Year ended 30 June 2008	GROUP AND PARENT					
	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$000	$000	$000	$000	$000	$000
Balances as at 1 July 2007						
At fair value	1,492,015	434,777	198,691	256,189	-	2,381,672
At cost	-	-	-	-	41,777	41,777
Work in progress at cost	-	58,497	7,465	6,729	2,965	75,656
Accumulated depreciation	-	(21,179)	(7,428)	(10,271)	(32,225)	(71,103)
Balances as at 1 July 2007	1,492,015	472,095	198,728	252,647	12,517	2,428,002
Additions	432	95,773	27,018	9,819	6,538	139,580
Transfers	2,691	-	-	-	-	2,691
Disposals	-	-	(151)	(97)	(33)	(281)
Depreciation	-	(24,520)	(7,749)	(10,416)	(4,288)	(46,973)
Movement to 30 June 2008	3,123	71,253	19,118	(694)	2,217	95,017
Balances as at 30 June 2008						
At fair value	1,495,138	556,920	204,150	259,422	-	2,515,630
At cost	-	-	-	-	47,961	47,961
Work in progress at cost	-	32,126	28,684	13,177	3,104	77,091
Accumulated depreciation	-	(45,698)	(14,988)	(20,646)	(36,331)	(117,663)
Balances as at 30 June 2008	1,495,138	543,348	217,846	251,953	14,734	2,523,019

Notes and accounting policies

continued
For the year ended 30 June 2008

Year ended 30 June 2007	GROUP AND PARENT					
	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$000	$000	$000	$000	$000	$000
Balances as at 1 July 2006						
At fair value	1,489,387	412,981	190,078	251,961	-	2,344,407
At cost	-	-	-	-	39,567	39,567
Work in progress at cost	579	15,500	5,478	2,894	671	25,122
Accumulated depreciation	-	-	-	-	(28,416)	(28,416)
Balances as at 1 July 2006	1,489,966	428,481	195,556	254,855	11,822	2,380,680
Additions	2,049	64,779	11,060	8,404	5,220	91,512
Disposals	-	-	(430)	(313)	(263)	(1,006)
Reclassifications	-	7	(7)	-	-	-
Depreciation	-	(21,172)	(7,451)	(10,299)	(4,262)	(43,184)
Movement to 30 June 2007	2,049	43,614	3,172	(2,208)	695	47,322
Balances as at 30 June 2007						
At fair value	1,492,015	434,777	198,691	256,189	-	2,381,672
At cost	-	-	-	-	41,777	41,777
Work in progress at cost	-	58,497	7,465	6,729	2,965	75,656
Accumulated depreciation	-	(21,179)	(7,428)	(10,271)	(32,225)	(71,103)
Balances as at 30 June 2007	1,492,015	472,095	198,728	252,647	12,517	2,428,002

Additions for the year ended 30 June 2008 include capitalised interest of $6.831 million (2007: $2.833 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.

Notes and accounting policies

continued
For the year ended 30 June 2008

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
Land associated with car-park facilities	Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Seagar & Partners (Auckland) Limited
Land associated with retail facilities within terminal buildings	Discounted cash flow	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
Car-park buildings and other improvements	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
Infrastructure assets associated with car park buildings and other improvements	Optimised depreciated replacement cost	Opus International Consultants 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

(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:

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Land				
Cost	127,982	127,551	127,982	127,551
Accumulated depreciation	-	-	-	-
Net carrying amount	127,982	127,551	127,982	127,551
Buildings and services				
Cost	666,989	574,173	666,989	574,173
Accumulated depreciation	(282,704)	(260,810)	(282,704)	(260,810)
Net carrying amount	384,285	313,363	384,285	313,363
Infrastructure				
Cost	190,170	163,939	190,170	163,939
Accumulated depreciation	(53,108)	(48,048)	(53,108)	(48,048)
Net carrying amount	137,062	115,891	137,062	115,891
Runway, taxiways and aprons				
Cost	272,343	263,068	272,343	263,068
Accumulated depreciation and impairment	(106,033)	(96,075)	(106,033)	(96,075)
Net carrying amount	166,310	166,993	166,310	166,993

10. Investment properties

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Balance at the beginning of the year	509,900	355,847	509,900	355,847
Additions	3,350	13,893	3,350	13,893
Transfers	(2,691)	-	(2,691)	-
Investment properties net revaluations	13,721	140,160	13,721	140,160
Balance at end of year	524,280	509,900	524,280	509,900

Investment properties are carried at fair value, which has been independently determined based on valuations performed by Seager & Partners (Auckland) Limited, registered valuers, annually as at 30 June. Seager & Partners (Auckland) Limited are industry specialists in valuing these types of investment properties.

The basis of valuation is market value, based on each property's highest and best use. The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income using market comparisons of capitalisation rates, supported by a discounted cash flow approach. The valuation methodologies are consistent with the prior year.

Notes and accounting policies

continued
For the year ended 30 June 2008

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Rental income for investment properties	19,293	17,427	19,293	17,427
Recoverable cost revenue	1,091	506	1,091	506
Direct operating expenses for investment properties	(818)	(705)	(818)	(705)

11. Cash

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Cash and bank balances	693	1,594	693	1,057

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 per cent (2007: 7.25 per cent to 8.00 per cent).

12. Receivables

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Trade receivables	5,142	3,913	5,142	3,913
Less: Provision for doubtful debts	(553)	(243)	(553)	(243)
Net trade receivables	4,589	3,670	4,589	3,670
Revenue accruals and other receivables	10,200	8,470	10,200	8,459
	14,789	12,140	14,789	12,129

13. Issued and paid-up capital

Ordinary shares

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Opening issued and paid-up capital at 1 July	169,057	166,791	169,194	166,909
Options exercised during the year	1,208	2,285	1,208	2,285
Shares repurchased during the period	-	(19)	-	-
Closing issued and paid-up capital at 30 June	170,265	169,057	170,402	169,194

	GROUP		PARENT	
	2008	2007	2008	2007
	Shares	Shares	Shares	Shares
Opening number of shares issued at 1 July	1,221,544,295	1,220,377,835	1,221,690,439	1,220,509,639
Options exercised during the year	604,800	1,180,800	604,800	1,180,800
Shares repurchased during the period	-	(14,340)	-	-
Closing number of shares issued at 30 June	1,222,149,095	1,221,544,295	1,222,295,239	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 25.

Shares forfeited by employees participating in the Employee Share Purchase Plan become shares held by the Employee Share Purchase Plan. As a member of the group the shares held by the Employee Share Purchase Plan are eliminated from the group's issued and paid-up capital.

14. Retained earnings and reserves

(a) Movements in retained earnings were:

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Balance at 1 July	262,325	132,124	261,793	131,856
Profit after taxation	112,959	230,864	113,320	230,619
Ordinary dividends paid	(124,632)	(100,087)	(124,646)	(100,106)
Reclassification from revaluation reserve	1,134	(576)	1,134	(576)
Balance at 30 June	251,786	262,325	251,601	261,793

(b) Reserves
(i) Cancelled share reserve

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Opening and closing cancelled share reserve	(161,304)	(161,304)	(161,304)	(161,304)

On 25 October 2002, the company returned capital to shareholders and cancelled seven shares in every 25 shares held by the shareholders. The return of capital of $212.714 million was applied against issued and paid-up capital at $0.50 per share cancelled, amounting to $59.087 million and the balance of $153.627 million applied to the cancelled share reserve.

On 30 June 2005, the company announced that it would undertake an on-market buy-back of its ordinary shares over a 12-month period.

During the year to 30 June 2006, the company purchased a total of 4,119,997 ordinary shares at a total cost of $8.192 million. All of the shares acquired under the buy-back were cancelled. The total buy-back cost of $8.192 million was applied against issued and paid-up capital for $0.515 million and the balance of $7.677 million against the cancelled share reserve.

Notes and accounting policies

continued
For the year ended 30 June 2008

(ii) Property, plant and equipment revaluation reserve

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Balance at the beginning of the year	1,631,891	1,619,819	1,631,891	1,619,819
Reclassification to retained earnings	(1,134)	576	(1,134)	576
Movement in deferred tax	58	11,496	58	11,496
Balance at the end of the year	1,630,815	1,631,891	1,630,815	1,631,891

(iii) Share-based payments

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Balance at the beginning of the year	864	772	864	772
Employee share purchase plan	-	24	-	24
Executive share option plan	31	68	31	68
Balance at the end of the year	895	864	895	864

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 25 for further details of these plans.

(iv) Cash flow hedge reserve

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Balance at the beginning of the year	12,132	2,006	12,132	2,006
Fair value change in hedging instrument	(2,467)	10,457	(2,467)	10,457
Transfer to income statement	(5,489)	(331)	(5,489)	(331)
Balance at the end of the year	4,176	12,132	4,176	12,132

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.

15. Accounts payable and accruals

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Employee entitlements	5,638	5,258	5,638	5,258
Phantom option plan accrual (refer note 25)	2,000	10,800	2,000	10,800
GST payable	1,311	1,878	1,311	1,873
Property, plant and equipment retentions and payables	13,940	17,123	13,940	17,123
Trade payables	612	493	612	493
Other payables and accruals	22,229	22,620	22,254	22,620
Total accounts payable and accruals	45,730	58,172	45,755	58,167

16. Borrowings

At the balance date the following borrowing facilities were in place for the parent and the group:

			GROUP		PARENT	
			2008	2007	2008	2007
	Maturity	Coupon	$000	$000	$000	$000
Current						
Money market	Overnight	Floating	32,800	23,600	32,800	23,600
Commercial paper	< 3 months	Floating	193,123	193,075	193,123	193,075
Floating rate notes	16/07/2007	Floating	-	59,000	-	59,000
Bonds	16/07/2007	7.50%	-	26,287	-	26,287
Bonds	16/07/2007	6.53%	-	15,080	-	15,080
Bonds	15/11/2008	7.50%	36,907	-	36,907	-
Bonds	15/11/2008	6.64%	37,963	-	37,963	-
Total short-term borrowings			300,793	317,042	300,793	317,042
Non-current						
Bridge facility	15/11/2008	Floating	-	75,000	-	75,000
Bank facility	10/03/2010	Floating	125,000	-	125,000	-
Bank facility	10/03/2011	Floating	45,000	-	45,000	-
Bank facility	31/01/2012	Floating	275,000	145,000	275,000	145,000
Floating rate notes	29/07/2009	Floating	8,100	8,100	8,100	8,100
Floating rate notes	29/11/2011	Floating	5,000	5,000	5,000	5,000
Bonds	15/11/2008	7.50%	-	36,314	-	36,314
Bonds	15/11/2008	6.64%	-	37,403	-	37,403
Bonds	29/07/2009	6.67%	65,709	64,525	65,709	64,525
Bonds	29/07/2011	6.83%	67,918	66,148	67,918	66,148
Bonds	07/11/2012	7.19%	50,000	50,000	50,000	50,000
Bonds	07/11/2015	7.25%	100,000	100,000	100,000	100,000
Total term borrowings			741,727	587,490	741,727	587,490
Total						
Money market			32,800	23,600	32,800	23,600
Commercial paper			193,123	193,075	193,123	193,075
Bridge facility			-	75,000	-	75,000
Bank facilities			445,000	145,000	445,000	145,000
Floating rate notes			13,100	72,100	13,100	72,100
Bonds			358,497	395,757	358,497	395,757
Total borrowings			1,042,520	904,532	1,042,520	904,532

Notes and accounting policies

continued
For the year ended 30 June 2008

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Summary of maturities				
Due less than 1 year	300,793	317,042	300,793	317,042
Due 1 to 2 years	198,809	148,717	198,809	148,717
Due 2 to 3 years	45,000	72,625	45,000	72,625
Due 3 to 4 years	347,918	-	347,918	-
Due 4 to 5 years	50,000	216,148	50,000	216,148
Due more than 5 years	100,000	150,000	100,000	150,000
	1,042,520	904,532	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 standby 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 standby facilities is to support the commercial paper programme and to provide liquidity support for general working capital. This standby facility agreement replaced a $100.000 million standby 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 standby 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 per cent and 9.21 per cent (2007: 7.65 per cent and 8.39 per cent). 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 per cent and 9.30 per cent (2007: 7.44 per cent and 8.39 per cent). The rates on bank facilities during the year have been between 8.29 per cent and 9.66 per cent (2007: 7.72 per cent and 8.66 per cent). The bridge facility rates during the year have been between 8.33 per cent and 9.05 per cent (2007: 7.65 per cent and 8.33 per cent). The money market rates during the year ended 30 June 2008 have been between 8.05 per cent and 9.20 per cent (2007: 7.30 per cent and 8.05 per cent).

17. Derivative financial instruments

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

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Current assets				
Interest rate swaps – cash flow hedges	292	-	292	-
Interest rate swaps – fair value hedges	-	669	-	669
Total	292	669	292	669
Non-current assets				
Interest rate swaps – cash flow hedges	6,991	12,507	6,991	12,507
Interest rate swaps – fair value hedges	-	-	-	-
Total	6,991	12,507	6,991	12,507
Current liabilities				
Interest rate swaps – cash flow hedges	-	-	-	-
Interest rate swaps – fair value hedges	748	-	748	-
Total	748	-	748	-
Non-current liabilities				
Interest rate swaps – cash flow hedges	2,222	-	2,222	-
Interest rate swaps – fair value hedges	1,536	6,151	1,536	6,151
Total	3,758	6,151	3,758	6,151

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 $480.000 million (2007: $225.000 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 $211.900 million (2007: $252.900 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:

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Gains/(losses) on the fixed interest bonds	(4,124)	5,083	(4,124)	5,083
Gains/(losses) on the derivatives	4,124	(5,083)	4,124	(5,083)

Notes and accounting policies

continued
For the year ended 30 June 2008

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

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Profit after taxation	112,959	230,864	113,320	230,619
Non-cash items:				
Depreciation	46,973	43,184	46,973	43,184
Bad debts and doubtful debts	360	-	360	-
Deferred taxation expense	4,620	1,134	4,616	639
Share-based payments	31	92	31	92
Equity accounted earnings from associates	(1,051)	(904)	(1,051)	(904)
Investment property fair value increases	(13,721)	(140,160)	(13,721)	(140,160)
Gain on investment in subsidiary	-	-	(362)	-
Items not classified as operating activities:				
Loss on asset disposals	352	798	352	798
(Increase)/decrease in property, plant and equipment retentions and payables	3,081	(3,022)	3,081	(3,022)
Increase/(decrease) in employee share purchase loan	-	-	-	105
Movement in working capital:				
(Increase)/decrease in current assets	(3,382)	(1,376)	(3,393)	(1,508)
(Increase)/decrease in taxation receivable	(3,547)	711	(3,964)	1,078
Increase/(decrease) in accounts payable	(12,337)	16,519	(12,312)	16,725
Increase/(decrease) in commercial paper discount	48	(168)	48	(168)
Increase/(decrease) in other term liabilities	(10)	(518)	(10)	(518)
Net cash flow from operating activities	134,376	147,154	133,968	146,960

19. Financial instruments

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

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

The carrying value approximates the fair value of bank, accounts receivable, derivative financial instruments, bank overdraft, accounts payable, money market borrowings, standby facilities, commercial paper, bridge facility, bank facilities and floating rate notes.

The estimated fair values of the remaining financial instruments at balance date for the parent and the group were:

	Carrying Value	Fair Value	Carrying Value	Fair Value
	2008	2008	2007	2007
	$000	$000	$000	$000
Bonds	358,497	352,590	395,757	394,764

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

20. Financial risk management objectives and policies

The group has a treasury policy which limits exposure to market risk for changes in interest rates, liquidity risk and counter-party credit risk. The group 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 group'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 group is $0.430 million (2007: $0.440 million). There are no significant concentrations of credit risk.

(b) Liquidity risk
The group'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 group's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2008, this facility headroom was $380.000 million (2007: $330.000 million). The group's policy also requires the spreading of debt maturities.

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

As at 30 June 2008

	GROUP AND PARENT				
	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
	$000	$000	$000	$000	$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

As at 30 June 2007

	GROUP AND PARENT				
	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
	$000	$000	$000	$000	$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

(c) Interest rate risk
The group's exposure to market risk for changes in interest rates relates primarily to the group's short and long-term debt obligations.

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

At year-end 58 per cent (2007: 41 per cent) 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 per cent, with all other variables held constant, of the company's profit before tax and equity.

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Increase in interest rate of 1 per cent				
Effect on profit before tax	(4,409)	(5,386)	(4,409)	(5,386)
Effect on retained earnings	(2,954)	(3,609)	(2,954)	(3,609)
Effect on cash flow hedge reserve	15,336	8,487	15,336	8,487
Decrease in interest rates of 1 per cent				
Effect on profit before tax	4,409	5,386	4,409	5,386
Effect on retained earnings	2,954	3,609	2,954	3,609
Effect on cash flow hedge reserve	(16,293)	(8,903)	(16,293)	(8,903)

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

The appropriate capital structure of the group 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 group 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 group 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 as at 30 June 2008 is 35.5 per cent (2007: 32.1 per cent). The current long-term credit rating of Auckland Airport by Standard & Poor's at 30 June 2008 is A Negative Outlook (2007: A Negative Outlook).

21. Commitments

(a) Property, plant and equipment commitments
The company had contractual obligations to purchase or develop property, plant and equipment for $66.001 million at balance date (2007: $77.358 million) principally relating to the northern runway development and construction of Pier B at the international terminal.

(b) Investment property commitments
The company had contractual obligations to purchase or develop investment property for $2.297 million at balance date (2007: $2.303 million).

(c) Operating lease commitments receivable – group as lessor
The group 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 as at 30 June are as follows:

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Within one year	24,344	25,459	24,344	25,459
After one year but no more than five years	67,877	71,200	67,877	71,200
After more than five years	39,821	37,548	39,821	37,548
Total minimum lease payments receivable	132,042	134,207	132,042	134,207

22. 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 $9.000 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

Notes and accounting policies

continued
For the year ended 30 June 2008

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 judgement, 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 group 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 group refutes Air New Zealand's claim and is vigorously defending the proceedings. The directors believe that the aeronautical pricing consultation process conducted by the group and its outcomes will be upheld in the proceedings.

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

23. Provisions for noise mitigation

Over March and April 2005, the company made acoustic treatment offers to the owners of 470 existing homes, two preschools 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 under way 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.

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

24. 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.

HMSC-AIAL Limited is an associate entity of the company and, during the year ended 30 June 2008, transactions with HMSC-AIAL Limited totalled $0.369 million (2007: $0.257 million). As at 30 June 2008, $0.032 million was owed by HMSC-AIAL Limited (2007: $0.007 million). Waste Resources Limited is a subsidiary of the company and, during the year ended 30 June 2008, transactions with Waste Resources Limited totalled $0.020 million (2007: $0.016 million). No amounts were owed by Waste Resources Limited at 30 June 2008 (2007: Nil). 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 group 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.

(b) Key management personnel compensation
The table below includes the remuneration of directors and the senior management team:

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Directors' fees	828	597	828	597
Senior management's salary and other short-term benefits	4,920	3,634	4,920	3,634
Senior management's share-based payment	(4,316)	7,721	(4,316)	7,721
Total key management personnel compensation	1,432	11,952	1,432	11,952

25. Share-based payment plans

The expense arising from share-based payment plans recognised for employee services received during the year were:

	GROUP		PARENT	
	2008	2007	2008	2007
	$000	$000	$000	$000
Expenses from equity-settled share-based payments				
Employee share purchase plan	-	24	-	24
Executive share option plan	31	68	31	68
Expense from cash-settled share-based payments				
Phantom option plan	(4,747)	9,925	(4,747)	9,925
Total expense from share-based payment transactions	(4,716)	10,017	(4,716)	10,017

(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.

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

	2008	2007
	Shares	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 per cent discount to the market rate on 15 April 2004. The issue price after a share split adjustment is $1.29.

	2008	2007
	Shares	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 per cent (2007: 0.012 per cent) 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 25 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.

Details of options issued for the parent and the group 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.

(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 is $2.000 million (2007: $10.800 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 $4.053 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

Notes and accounting policies

continued
For the year ended 30 June 2008

26. Segmental reporting

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

27. 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.

28. 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 group's first financial statements prepared in accordance with NZ IFRS.

In preparing the comparative figures, the group 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 group, 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 group's opening NZ IFRS balance sheet as at 1 July 2006.

ii) Share-based payment transactions
The group 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.

iii) Assets and liabilities of associates
The group has adopted NZ IFRS later than has its associate and will measure the associate's assets and liabilities at the carrying amounts in the financial statements of the associate.

Impacts of the adoption of NZ IFRS
A reconciliation of the group's 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.

Notes and accounting policies

continued
For the year ended 30 June 2008

Effect of NZ IFRS on the income statement

		12 MONTHS ENDED 30 JUNE 2007		
		Group NZ FRS	Group Adjustments	Group NZ IFRS
	Notes	$000	$000	$000
Total operating revenue		321,946	-	321,946
Total operating expenses	(f)(g)	79,147	83	79,230
Operating EBITDA		242,799	(83)	242,716
Investment property fair value increases	(c)	-	140,160	140,160
Total EBITDA		242,799	140,077	382,876
Depreciation	(d)	43,117	67	43,184
EBIT		199,682	140,010	339,692
Interest expense and other finance costs	(e)	62,747	(8)	62,739
Profit before taxation		136,935	140,018	276,953
Taxation expense	(a)(h)	44,954	1,135	46,089
Profit after taxation		91,981	138,883	230,864

		12 MONTHS ENDED 30 JUNE 2007		
		Parent NZ FRS	Parent Adjustments	Parent NZ IFRS
	Notes	$000	$000	$000
Total operating revenue		321,932	-	321,932
Total operating expenses	(f)(g)	79,485	83	79,568
Operating EBITDA		242,447	(83)	242,364
Investment property fair value increases	(c)	-	140,160	140,160
Total EBITDA		242,447	140,077	382,524
Depreciation	(d)	43,117	67	43,184
EBIT		199,330	140,010	339,340
Interest expense and other finance costs	(e)	62,747	(8)	62,739
Profit before taxation		136,583	140,018	276,601
Taxation expense	(a)	45,343	639	45,982
Profit after taxation		91,240	139,379	230,619

Notes and accounting policies

continued
For the year ended 30 June 2008

Effect of NZ IFRS on the balance sheet

		AS AT 30 JUNE 2007		
	Notes	Group NZ FRS $000	Group Adjustments $000	Group NZ IFRS $000
Non-current assets				
Property, plant and equipment	(d)	2,543,682	(115,680)	2,428,002
Investment properties	(c)(d)	329,740	180,160	509,900
Investment in associate		3,892	-	3,892
Derivative financial instruments	(e)	-	12,507	12,507
Other non-current assets		775	-	775
		2,878,089	76,987	2,955,076
Current assets				
Cash		1,594	-	1,594
Inventories		134	-	134
Prepayments	(e)	4,815	(1,925)	2,890
Accounts receivable	(h)	12,129	11	12,140
Taxation receivable		10,180	-	10,180
Derivative financial instruments	(e)	-	669	669
		28,852	(1,245)	27,607
Total assets		2,906,941	75,742	2,982,683
Shareholders' equity				
Issued and paid-up capital	(h)	169,195	(138)	169,057
Cancelled share reserve		(161,304)	-	(161,304)
Retained earnings	(a)–(h)	(34,047)	296,372	262,325
Property, plant and equipment revaluation reserve	(a)(b)(d)	1,779,705	(147,814)	1,631,891
Investment property revaluation reserve	(c)	180,922	(180,922)	-
Share-based payment reserve	(f)	-	864	864
Cash flow hedge reserve	(e)	-	12,132	12,132
		1,934,471	(19,506)	1,914,965
Non-current liabilities				
Term borrowings	(e)	595,425	(7,935)	587,490
Derivative financial instruments	(e)	-	6,151	6,151
Deferred tax liability	(a)(h)	-	95,361	95,361
Other term liabilities	(e)	440	-	440
		595,865	93,577	689,442
Current liabilities				
Accounts payable and accruals	(e)(g)(h)	54,559	3,613	58,172
Short-term borrowings	(e)	318,984	(1,942)	317,042
Provisions		3,062	-	3,062
		376,605	1,671	378,276
Total equity and liabilities		2,906,941	75,742	2,982,683

Notes and accounting policies

continued
For the year ended 30 June 2008

		AS AT 30 JUNE 2007		
	Notes	Parent NZ FRS $000	Parent Adjustments $000	Parent NZ IFRS $000
Non-current assets				
Property, plant and equipment	(d)	2,543,682	(115,680)	2,428,002
Investment properties	(c)(d)	329,740	180,160	509,900
Investment in subsidiary		592	-	592
Investment in associate		3,892	-	3,892
Derivative financial instruments	(e)	-	12,507	12,507
Other non-current assets		775	-	775
		2,878,681	76,987	2,955,668
Current assets				
Cash		1,057	-	1,057
Inventories		134	-	134
Prepayments	(e)	4,815	(1,925)	2,890
Accounts receivable		12,129	-	12,129
Taxation receivable		9,745	-	9,745
Derivative financial instruments	(e)	-	669	669
		27,880	(1,256)	26,624
Total assets		2,906,561	75,731	2,982,292
Shareholders' equity				
Issued and paid-up capital		169,194	-	169,194
Cancelled share reserve		(161,304)	-	(161,304)
Retained earnings	(a)–(g)	(34,421)	296,214	261,793
Property, plant and equipment revaluation reserve	(a)(b)(d)	1,779,705	(147,814)	1,631,891
Investment property revaluation reserve	(c)	180,922	(180,922)	-
Share-based payment reserve	(f)	-	864	864
Cash flow hedge reserve	(e)	-	12,132	12,132
		1,934,096	(19,526)	1,914,570
Non-current liabilities				
Term borrowings	(e)	595,425	(7,935)	587,490
Derivative financial instruments	(e)	-	6,151	6,151
Deferred tax liability	(a)	-	95,370	95,370
Other term liabilities	(e)	440	-	440
		595,865	93,586	689,451
Current liabilities				
Accounts payable and accruals	(e)(g)	54,554	3,613	58,167
Short-term borrowings	(e)	318,984	(1,942)	317,042
Provisions		3,062	-	3,062
		376,600	1,671	378,271
Total equity and liabilities		2,906,561	75,731	2,982,292

Notes and accounting policies

continued
For the year ended 30 June 2008

		AS AT 1 JULY 2006		
		Group NZ FRS	Group Adjustments	Group NZ IFRS
	Notes	$000	$000	$000
Non-current assets				
Property, plant and equipment	(d)	2,533,430	(152,751)	2,380,679
Investment properties	(c)(d)	193,502	162,345	355,847
Investment in associate		2,988	-	2,988
Derivative financial instruments	(e)	-	2,271	2,271
Other non-current assets		1,075	-	1,075
		2,730,995	11,865	2,742,860
Current assets				
Cash		324	-	324
Inventories		100	-	100
Prepayments	(e)	3,616	(1,757)	1,859
Accounts receivable	(h)	11,935	13	11,948
Taxation receivable		10,891	-	10,891
Derivative financial instruments	(e)	-	854	854
		26,866	(890)	25,976
Total assets		2,757,861	10,975	2,768,836
Shareholders' equity				
Issued and paid-up capital	(h)	166,910	(119)	166,791
Cancelled share reserve		(161,304)	-	(161,304)
Retained earnings	(a)–(h)	(25,388)	157,512	132,124
Property, plant and equipment revaluation reserve	(a)(b)(d)	1,808,241	(188,422)	1,619,819
Investment property revaluation reserve	(c)	66,642	(66,642)	-
Share-based payment reserve	(f)	-	772	772
Cash flow hedge reserve	(e)	-	2,006	2,006
		1,855,101	(94,893)	1,760,208
Non-current liabilities				
Term borrowings	(e)	600,809	(2,869)	597,940
Derivative financial instruments	(e)	-	890	890
Deferred tax liability	(a)(h)	-	105,722	105,722
Other term liabilities	(e)	958	-	958
		601,767	103,743	705,510
Current liabilities				
Accounts payable and accruals	(e)(g)(h)	38,291	3,772	42,063
Short-term borrowings	(e)	259,808	(1,757)	258,051
Derivative financial instruments	(e)	-	110	110
Provisions		2,894	-	2,894
		300,993	2,125	303,118
Total equity and liabilities		2,757,861	10,975	2,768,836

Notes and accounting policies

continued
For the year ended 30 June 2008

		AS AT 1 JULY 2006		
		Parent NZ FRS	Parent Adjustments	Parent NZ IFRS
	Notes	$000	$000	$000
Non-current assets				
Property, plant and equipment	(d)	2,533,430	(152,751)	2,380,679
Investment properties	(c)(d)	193,502	162,345	355,847
Investment in subsidiary		717	-	717
Investment in associate		2,988	-	2,988
Derivative financial instruments	(e)	-	2,271	2,271
Other non-current assets		1,075	-	1,075
		2,731,712	11,865	2,743,577
Current assets				
Inventories		100	-	100
Prepayments	(e)	3,616	(1,757)	1,859
Accounts receivable		11,687	-	11,687
Taxation receivable		10,823	-	10,823
Derivative financial instruments	(e)	-	854	854
		26,226	(903)	25,323
Total assets		2,757,938	10,962	2,768,900
Shareholders' equity				
Issued and paid-up capital		166,909	-	166,909
Cancelled share reserve		(161,304)	-	(161,304)
Retained earnings	(a)–(g)	(25,019)	156,875	131,856
Property, plant and equipment revaluation reserve	(a)(b)(d)	1,808,241	(188,422)	1,619,819
Investment property revaluation reserve	(c)	66,642	(66,642)	-
Share based payment reserve	(f)	-	772	772
Cash flow hedge reserve	(e)	-	2,006	2,006
		1,855,469	(95,411)	1,760,058
Non-current liabilities				
Term borrowings	(e)	600,809	(2,869)	597,940
Derivative financial instruments	(e)	-	890	890
Deferred tax liability	(a)	-	106,227	106,227
Other term liabilities	(e)	958	-	958
		601,767	104,248	706,015
Current liabilities				
Bank overdraft		125	-	125
Accounts payable and accruals	(e)(g)	37,875	3,772	41,647
Short-term borrowings	(e)	259,808	(1,757)	258,051
Derivative financial instruments	(e)	-	110	110
Provisions		2,894	-	2,894
		300,702	2,125	302,827
Total equity and liabilities		2,757,938	10,962	2,768,900

(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 group 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 and investment property.

The effects of this change on the group are:

- On transition to NZ IFRS, as at 1 July 2006, a deferred tax liability was recognised in the balance sheet of $105.727 million, the property, plant and equipment revaluation reserve decreased by $126.446 million and opening retained earnings increased by $20.719 million.
- As at 30 June 2007, a deferred tax liability was recognised in the balance sheet of $95.366 million, the property, plant and equipment revaluation reserve decreased by $114.950 million and retained earnings increased by $19.585 million. For the year ended 30 June 2007, a deferred tax expense of $1.134 million was recorded.

The effects of this change on the parent are:

- On transition to NZ IFRS, as at 1 July 2006, a deferred tax liability was recognised in the balance sheet of $106.227 million, the property, plant and equipment revaluation reserve decreased by $126.446 million and opening retained earnings increased by $20.219 million.
- As at 30 June 2007, a deferred tax liability was recognised in the balance sheet of $95.370 million, the property, plant and equipment revaluation reserve decreased by $114.950 million and retained earnings increased by $19.580 million. For the year ended 30 June 2007, a deferred tax expense of $0.639 million was recorded.

(b) Property, plant and equipment
The group 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 on the group and parent are:

- On transition to NZ IFRS, as at 1 July 2006, the property, plant and equipment revaluation reserve increased and retained earnings decreased by $47.973 million.
- As at 30 June 2007, the property, plant and equipment revaluation reserve increased and retained earnings decreased by $47.158 million.

(c) Investment properties
Investment properties under previous NZ FRS were valued annually at market value less the estimated costs of disposal. Under NZ IFRS, investment properties are measured at fair value. The difference between fair value and net market value is that disposal costs are not deducted to arrive at fair value. The result is an increase in the value recorded for investment properties.

The effects of this change on the group and parent are:

- On transition to NZ IFRS, as at 1 July 2006, investment property and opening retained earnings increased by $9.594 million.
- As at 30 June 2007, investment property and retained earnings increased by $3.657 million. For the year ended 30 June 2007, profit before taxation decreased by $5.937 million.

Under previous NZ FRS, changes in the valuation of investment properties were recorded in equity as an investment property revaluation reserve. Under NZ IFRS, both upward and downward revaluations of investment properties are recognised directly in the income statement which flows through to equity as retained earnings.

The effects of this change on the group and parent are:

- On transition to NZ IFRS, as at 1 July 2006, the investment property revaluation reserve of $66.642 million was transferred to opening retained earnings.
- As at 30 June 2007, the investment property revaluation reserve of $180.922 million was transferred to retained earnings. During the year ended 30 June 2007, investment property revaluation income of $146.097 million was recorded in the income statement.
  This includes revaluation increases for the year ended 30 June 2007 in respect of assets transferred from property, plant and equipment to investment properties, as discussed in (d) below.

Changes arising from this requirement will result in greater earnings volatility as the revaluations will be recognised in the income statement.

(d) Reclassification of investment property and property, plant and equipment
The group classified undeveloped property as property, plant and equipment under previous NZ FRS. Under NZ IFRS, undeveloped properties held for unidentified final use are classified as investment properties. Properties held for determined future use as investment properties are classified as investment properties. This resulted in a movement in a net reclassification from property, plant and equipment to investment property, and revaluations are accounted for accordingly.

The effects of this change on the group and parent are:

- On transition to NZ IFRS, as at 1 July 2006, a net of $152.751 million was transferred from property, plant and equipment to investment properties. $109.949 million was transferred from the property, plant and equipment revaluation reserve to retained earnings in respect of these assets.
- As at 30 June 2007, a net of $115.680 million was reclassified from property, plant and equipment to investment properties. The sum of $80.022 million was transferred from the property, plant and equipment revaluation reserve to retained earnings in respect of these assets.

Notes and accounting policies

continued
For the year ended 30 June 2008

For the year ended 30 June 2007, depreciation expense increased by $0.067 million, and the assets reclassified from property, plant and equipment to investment properties were revalued upwards by $60.823 million.

(e) Hedge accounting
The group 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 on the group and parent are:

- On transition to NZ IFRS, as at 1 July 2006, assets increased by net $1.368 million (long-term derivative assets increased by $2.271 million, short-term derivative assets increased by $0.854 million and prepayments decreased by $1.757 million), liabilities decreased by net $0.629 million (long-term derivative liabilities increased by $0.890 million, short-term derivative liabilities increased by $0.110 million, borrowings decreased by $4.626 million, accounts payable and accruals increased by $2.997 million), the cash flow hedge reserve increased by $2.005 million and retained earnings decreased by $0.008 million.
- As at 30 June 2007, assets increased by net $11.251 million (long-term derivative assets increased by $12.507 million, short-term derivative assets increased by $0.669 million and prepayments decreased by $1.925 million), liabilities decreased by net $0.882 million (long-term derivative liabilities increased by $6.151 million, borrowings decreased by $9.877 million, accounts payable and accruals increased by $2.844 million), and the cash flow hedge reserve increased by $12.132 million. For the year ended 30 June 2007, surplus after taxation increased by $0.008 million.

(f) 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 group 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 group.
The shares are usually offered to employees at a discount to market value at the time of issue. Under previous NZ FRS, the group 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 made only to reflect changes in the number of shares or options expected to vest or that have vested. The group 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 on the group and parent are:

- On transition to NZ IFRS, as at 1 July 2006, opening retained earnings decreased by $0.775 million and the share-based payment reserve within shareholders' equity increased by the equivalent amount.
- As at 30 June 2007, retained earnings decreased by $0.864 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 $0.092 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.

(g) Employee benefits
Under NZ FRS, the group 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 on the group and parent are:

- On transition to NZ IFRS, as at 1 July 2006, liabilities increased by $0.775 million and opening retained earnings decreased by the equivalent amount.
- As at 30 June 2007, liabilities increased by $0.769 million and retained earnings decreased by the equivalent amount. For the year ended 30 June 2007, profit before tax increased by $0.009 million.

(h) Consolidation of Employee Share Purchase Plan
Under NZ FRS, the employee share purchase plan trust was not consolidated into the group financial statements. Under NZ IFRS, the employee share purchase plan trust is considered to be controlled by the group and is consolidated by the group.

The effects of this change on the group are:

- On transition to NZ IFRS as at 1 July 2006, issued and paid-up capital decreased by $0.119 million, retained earnings increased by $0.136 million, the deferred tax liability decreased by $0.005 million and total assets increased by $0.013 million.
- As at 30 June 2007, share capital decreased by $0.138 million, retained earnings increased by $0.154 million, the deferred tax liability decreased by $0.005 million and total assets increased by $0.011 million. For the year ended 30 June 2007, tax expense increased by $0.001 million.

Audit report

Deloitte.

To the shareholders of Auckland International Airport Limited

We have audited the financial statements on pages 1 to 47. The financial statements provide information about the past financial performance and financial position of Auckland International Airport Limited (the 'Company') and Group as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 5 to 13.

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 financial statements which give a true and fair view of the financial position of the Company and Group 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 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 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 and Group 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, its subsidiaries or associate.

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 financial statements on pages 1 to 47:
  – comply with generally accepted accounting practice in New Zealand;
  – comply with International Financial Reporting Standards; and
  – give a true and fair view of the financial position of the Company and Group as at 30 June 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 21 August 2008 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
Auckland, New Zealand

This audit report relates to the financial statements of Auckland International Airport Limited for the year ended 30 June 2008 included on Auckland International Airport Limited's website. Through management, the Board of Directors is responsible is responsible for the maintenance and integrity of Auckland International Airport Limited's website. We have not been engaged to report on the integrity of Auckland International Airport Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 21 August 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five-year summary

For the year ended 30 June 2008

Income statement

	2008 $000	2007 $000	2006 $000	2005 $000	2004 $000
Operating revenue					
Airfield income	70,129	66,266	67,351	66,280	64,157
Passenger service charge	66,952	64,389	60,405	49,531	46,284
Terminal services charge	22,897	21,888	17,274	13,866	14,587
Retail income	103,379	93,744	86,712	84,681	82,206
Rental income	40,220	33,267	31,502	29,243	25,557
Rates recoveries	3,132	2,736	2,285	2,096	2,051
Car-park income	29,252	25,878	24,847	23,396	18,448
Interest income	563	1,076	517	144	833
Share of profit of an associate	1,051	904	688	844	493
Other revenue	13,455	11,798	14,233	12,644	8,571
Total revenue	351,030	321,946	305,814	282,725	263,187
Operating expenses					
Staff	24,893	36,045	25,950	24,024	22,452
Repairs and maintenance	25,717	22,987	20,500	18,469	17,787
Rates and insurance	7,389	6,271	5,793	5,482	5,036
Other	17,195	13,927	13,410	13,232	13,442
Total operating expenses	75,194	79,230	65,653	61,207	58,717
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	275,836	242,716	240,161	221,518	204,470
Investment property fair value increases	13,721	140,160	-	-	-
Costs relating to ownership proposals	(9,588)	-	-	-	-
Total earnings before interest, taxation and depreciation (Total EBITDA)	279,969	382,876	240,161	221,518	204,470
Depreciation	46,973	43,184	38,546	31,895	31,487
Earnings before interest and taxation (EBIT)	232,996	339,692	201,615	189,623	172,983
Interest expense and other finance costs	72,548	62,739	54,911	36,229	33,474
Profit before taxation	160,448	276,953	146,704	153,394	139,509
Taxation expense	47,489	46,089	43,549	47,753	45,194
Profit after taxation	112,959	230,864	103,155	105,641	94,315

Note: 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.

Five-year summary

continued
For the year ended 30 June 2008

Statement of changes in equity

	2008	2007	2006	2005	2004
	$000	$000	$000	$000	$000
Movement in cash flow hedge reserve:					
Gain/(loss) taken to equity	(2,467)	10,457	-	-	-
Transferred to income statement	(5,489)	(331)	-	-	-
Increase in value of property, plant and equipment	-	-	1,385,718	-	-
Increase in value of investment properties	-	-	13,615	10,707	8,644
Movement in deferred tax taken directly to equity	58	11,496	-	-	-
Net income recognised directly in equity	(7,898)	21,622	1,399,333	10,707	8,644
Profit after taxation	112,959	230,864	103,155	105,641	94,315
Total recognised income and expense	105,061	252,486	1,502,488	116,348	102,959
Increase in issued and paid-up capital	1,208	2,266	3,485	3,554	2,792
Ordinary dividends paid	(124,632)	(100,087)	(100,228)	(98,596)	(70,046)
Special dividends to be paid	-	-	-	(146,722)	-
Buy-back of shares	-	-	(8,192)	-	-
Movement in share-based payment reserve	31	92	-	-	-
Changes in equity for the period	(18,332)	154,757	1,397,553	(125,416)	35,705
Equity at beginning of period	1,914,965	1,760,208**	457,549	582,965	547,260
Equity at end of period	1,896,633	1,914,965	1,855,102	457,549	582,965

Note 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.
** 2007 opening balance restated under NZ IFRS.

Five-year summary

continued
For the year ended 30 June 2008

Balance sheet

	2008	2007	2006	2005	2004
	$000	$000	$000	$000	$000
Non-current assets					
Property, plant and equipment					
Freehold land	1,495,138	1,492,015	1,645,619	458,196	458,438
Buildings and services	543,348	472,095	425,392	310,246	277,086
Infrastructure	217,846	198,728	195,742	123,848	121,821
Runway, taxiways and aprons	251,953	252,647	254,855	181,702	128,163
Vehicles, plant and equipment	14,734	12,517	11,822	9,402	10,071
	2,523,019	2,428,002	2,533,430	1,083,394	995,579
Investment properties	524,280	509,900	193,502	175,439	157,669
Investment in associate	4,943	3,892	2,988	2,800	2,499
Derivative financial instruments	6,991	12,507	-	-	-
Other non-current assets	775	775	1,075	-	-
	3,060,008	2,955,076	2,730,995	1,261,633	1,155,747
Current assets					
Cash	693	1,594	324	510	265
Inventories	178	134	100	110	458
Prepayments	3,220	2,890	3,616	3,705	1,514
Accounts receivable	14,789	12,140	11,935	10,929	11,702
Taxation receivable	13,727	10,180	10,891	3,057	-
Derivative financial instruments	292	669	-	-	-
	32,899	27,607	26,866	18,311	13,939
Total assets	3,092,907	2,982,683	2,757,861	1,279,944	1,169,686
Shareholders' equity					
Issued and paid-up capital	170,265	169,057	166,910	163,940	160,386
Cancelled share reserve	(161,304)	(161,304)	(161,304)	(153,627)	(153,627)
Retained earnings	251,786	262,325	(25,387)	(28,314)	111,363
Property, plant and equipment revaluation reserve	1,630,815	1,631,891	1,808,241	422,523	422,523
Investment property revaluation reserve	-	-	66,642	53,027	42,320
Share-based payments reserve	895	864	-	-	-
Cash flow hedge reserve	4,176	12,132	-	-	-
	1,896,633	1,914,965	1,855,102	457,549	582,965
Non-current liabilities					
Term borrowings	741,727	587,490	600,809	401,417	375,000
Derivative financial instruments	3,758	6,151	-	-	-
Deferred tax liability	99,923	95,361	-	-	-
Other term liabilities	430	440	958	1,097	1,412
	845,838	689,442	601,767	402,514	376,412
Current liabilities					
Accounts payable and accruals	45,730	58,172	38,290	34,359	21,792
Provision for special dividend	-	-	-	146,722	-
Derivative financial instruments	748	-	-	-	-
Taxation provision	-	-	-	-	617
Short-term borrowings	300,793	317,042	259,808	238,800	187,900
Provisions	3,165	3,062	2,894	-	-
	350,436	378,276	300,992	419,881	210,309
Total equity and liabilities	3,092,907	2,982,683	2,757,861	1,279,944	1,169,686

Note: 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.

Five-year summary

continued
For the year ended 30 June 2008

Statement of cash flows

	2008 $000	2007 $000	2006 $000	2005 $000	2004 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	345,973	320,415	300,580	281,137	257,631
Interest received	563	1,076	517	144	875
Dividends from associated company	-	-	500	500	-
	346,536	321,491	301,597	281,781	258,506
Cash was applied to:					
Payments to suppliers and employees	(95,980)	(66,987)	(60,727)	(60,247)	(58,853)
Income tax paid	(46,416)	(44,243)	(51,383)	(51,427)	(43,808)
Other taxes paid	(328)	(318)	(496)	(514)	(445)
Interest paid	(69,436)	(62,789)	(51,596)	(38,557)	(32,915)
	(212,160)	(174,337)	(164,202)	(150,745)	(136,021)
Net cash flow from operating activities	134,376	147,154	137,395	131,036	122,485
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of assets	62	233	2,983	1,402	22
Other investing activities	-	500	-	-	-
	62	733	2,983	1,402	22
Cash was applied to:					
Purchase of property, plant and equipment	(135,964)	(84,325)	(101,026)	(105,095)	(49,403)
Interest paid – capitalised	(6,831)	(2,833)	(2,758)	(2,310)	(580)
Expenditure on investment properties	(3,350)	(15,249)	(4,448)	(7,063)	(28,788)
Other investing activities	-	(200)	(1,075)	-	-
	(146,145)	(102,607)	(109,307)	(114,468)	(78,771)
Net cash applied to investing activities	(146,083)	(101,874)	(106,324)	(113,066)	(78,749)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	1,208	2,285	3,485	3,554	2,370
Increase in borrowings	3,959,525	2,103,650	1,833,050	835,217	596,050
	3,960,733	2,105,935	1,836,535	838,771	598,420
Cash was applied to:					
Decrease in borrowings	(3,825,295)	(2,049,858)	(1,612,650)	(757,900)	(576,000)
Dividends paid	(124,632)	(100,087)	(246,950)	(98,596)	(70,046)
Buy-back of shares	-	-	(8,192)	-	-
	(3,949,927)	(2,149,945)	(1,867,792)	(856,496)	(646,046)
Net cash flow applied to financing activities	10,806	(44,010)	(31,257)	(17,725)	(47,626)
Net increase/(decrease) in cash held	(901)	1,270	(186)	245	(3,890)
Opening cash brought forward	1,594	324	510	265	4,155
Ending cash carried forward	693	1,594	324	510	265

Note 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.

Five-year summary

continued
For the year ended 30 June 2008

Capital expenditure

	2008 $m	2007 $m	2006 $m	2005 $m	2004 $m
Airfield	11.7	10.2	30.1	51.3	19.9
International terminal	95.4	44.1	42.8	59.5	16.7
Domestic terminals	9.6	20.6	4.2	1.1	0.2
Car parking	4.0	0.5	16.5	1.3	6.7
Infrastructure and other	15.5	12.0	9.8	6.9	3.8
Property development	6.7	18.0	6.1	7.7	28.1
Total	142.9	105.4	109.5	127.8	75.4

Key performance indicators

	2008	2007	2006	2005	2004
Financial performance					
Operating EBITDA margin (%)	78.6	75.4	78.5	78.4	77.7
Return on total assets (%)	3.7	7.7	3.7	8.3	8.1
Earnings per share (cents) *	9.24	18.91	8.44	8.65	7.74
Financial position and gearing					
Debt/Debt + equity (%)	35.5	32.1	31.7	58.4	49.2
Debt/EBITDA (Operating) (times)	3.8	3.7	3.6	2.9	2.8
Operating EBITDA interest cover (times)	3.5	3.7	4.2	5.7	6.0
Net tangible assets per share *	1.55	1.57	1.52	0.37	0.48
Operating efficiencies					
Passengers per operating staff **	43,917	43,908	43,404	39,774	38,976
Operating revenue per average operating staff ($)	1,167,648	1,144,126	1,100,051	999,028	953,576
Operating revenue per passenger ($) **	26.59	26.06	25.34	25.12	24.47
Retail revenue per international passenger ($) **	13.85	12.87	12.21	13.17	13.44
Car-park revenue per passenger ($)	2.38	2.26	2.22	2.14	1.77
Operating staff costs/operating revenue (%)	7.1	11.2	8.5	8.5	8.5

* Adjusted for four-for-one split

** Note that, from October 2006, the company now receives more accurate transit and transfer data from Immigration New Zealand. The new data has now been compiled back to 1 July 2005. Data for the years 2004 and 2005 have not been compiled from the new data source.

Note 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.

Five-year summary

continued
For the year ended 30 June 2008

Passenger, aircraft and maximum certificated take-off weight

	2008	2007	2006	2005	2004
Passenger movements					
International *	7,462,683	7,286,397	7,103,035	6,432,161	6,116,655
Domestic	5,740,089	5,068,794	4,963,142	4,823,916	4,640,851
Aircraft movements					
International	39,053	38,406	38,759	38,465	36,885
Domestic	120,574	117,469	122,140	119,987	117,927
Maximum certificated take-off weight (tonnes)					
International	4,120,430	4,085,290	4,186,813	4,140,882	3,983,093
Domestic	1,816,370	1,661,844	1,639,690	1,586,692	1,611,770

* Note that, from October 2006, the company now receives more accurate transit and transfer data from Immigration New Zealand. The new data have been compiled back to 1 July 2005. Data for the years 2004 and 2005 have not been compiled from the new data source.

Corporate governance

Auckland Airport's board of directors is responsible for the company's corporate governance. The board is committed to undertaking this role in accordance with internationally accepted best practice appropriate to the company's business. It also takes account of the company's listing on both the NZX and the ASX. The company's corporate governance practices fully reflect and satisfy the 'ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations' ('ASX Principles') and the 'NZX Corporate Governance Best Practice Code' ('NZX Code').

The comprehensive ASX Principles set out 10 fundamental principles of good corporate governance. The structure of this corporate governance section of the annual report reflects the company's compliance with those fundamental principles. This approach has been adopted to maximise the transparency of the company's corporate governance practices for the benefit of shareholders and other stakeholders. This is consistent with the approach taken in the last three annual reports, and helps readers compare reports. The ASX Corporate Governance Council has reviewed and revised the ASX Principles. In accordance with the ASX's requirements, the board will be reviewing its approach to governance in light of the revised ASX Principles during FY09, and reporting on this basis in the company's next annual report.

The company's constitution and each of the charters and policies referred to in this corporate governance section are available on the corporate information section of the company's website – www.auckland-airport.co.nz (the 'Company Website').

Principle 1:
Lay solid foundations for management and oversight

The board's charter recognises the respective roles of the board and management. The charter reflects the sound base the board has developed for providing strategic guidance for the company and the effective oversight of management. The board charter can be found on the Company Website.

The board's primary governance roles are:

- Working with company management to ensure that the company's strategic goals are clearly established, and that strategies are in place to achieve them.
- Monitoring management performance in strategy implementation.
- Appointing and reviewing the chief executive officer's performance and, where necessary, terminating the chief executive officer's employment.
- Approving the appointment of the corporate secretary.
- Approving remuneration policies applicable to senior management.
- Approving and monitoring the company's financial statements and other reporting, including reporting to shareholders, and ensuring the company's obligations of continuous disclosure are met.
- Ensuring that the company adheres to high ethical and corporate behaviour standards.
- Establishing procedures and systems to ensure the occupational health and safety of the company's employees.
- Promoting a company culture and a remuneration practice which facilitate the recruitment, professional development and retention of staff.
- Ensuring that the company has appropriate risk management and regulatory compliance policies in place, and monitoring the appropriateness and implementation of those policies.

The board has established the following committees to ensure efficient decision-making:

- Audit and risk
- Remuneration
- Nominations

The roles of these committees are detailed below.

The board delegates the day-to-day operations of the company to management under the control of the chief executive officer. Day-to-day operations are required to be conducted in accordance with strategies set by the board. The charter records this delegation and promotes clear lines of communication between the chairman and the chief executive officer.

All directors have been issued letters setting out the terms and conditions of their appointments. A copy of the standard form of this letter is available on the Company Website. This letter may be changed with the agreement of the board.

The chief executive officer and other members of the senior management team have employment agreements setting out their roles and conditions of employment. The company has set detailed delegated authorities controlling the extent to which employees can commit the company.

Principle 2: Structure the board to add value

The number of directors is determined by the board, in accordance with the company's constitution, to ensure it is large enough to provide a range of knowledge, views and experience relevant to the company's business. The constitution requires there to be no more than eight, and no fewer than three directors.

The board currently comprises six directors. Messrs Frankham, Turner and Didsbury and Mrs Withers are considered by the board to be independent directors. Messrs Brabazon and Morrison are not considered to be independent. In judging whether a director is 'independent', the board has regard to whether or not the director:

- is a Substantial Security Holder (as that term is defined in section 2 of the Securities Markets Act 1988) in the company, or if he/she represents or is an officer of, or otherwise associated directly with, a Substantial Security Holder of the company;
- is, or has not within the past three years been, employed in an executive capacity by the company or has been a director after ceasing to hold any such employment;
- has been within the last three years a material supplier or customer of the company, or is an officer or employee of, or otherwise associated with, a material supplier or customer;
- has a material contractual or other material relationship with the company other than as a director;
- has been within the last three years a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- has served on the board for a period that, in the board's opinion, could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company;
- is free from any other interests or any business or other relationships (including familial) that could, or could be perceived to, interfere with the director's unfettered and independent judgement and ability to act in the best interests of the company; and

Corporate governance

continued

- or any associated person of the director, has derived, or is likely to derive, in the current financial year, 10 per cent or more of that person's annual revenue from, or by virtue of, a relationship (other than as a director of Auckland Airport) the director or the associated person of the director has with the company or a Substantial Security Holder of the company.

The directors as at the date of this annual report are:

Anthony Frankham FCA, FAMINZ, AFInstD (chairman)
Keith Turner BE (Hons), ME, PhD, FIEE, Dist. FIPENZ, FNZIM (deputy chairman)
John Brabazon BCom, ACA, MInstD, SA FIN
Richard Didsbury BE
Lloyd Morrison LLB (Hons)
Joan Withers MBA, AFInstD

John Maasland and Mike Smith were directors of the company during the financial year ended 30 June 2008. Mike Smith retired from the company at the annual general meeting on 20 November 2007. John Maasland resigned from the company on 27 November 2007.

A biography of each director of the company is set out on pages 6 and 7.

The board considers that the roles of chairman and chief executive officer must be separate. The board charter requires that the chairman is an independent, non-executive director.

The table on page 97 shows a list of each director's board committee memberships, the number of meetings of the board and its committees held during the year, and the number of those meetings attended by each director.

Minutes are taken of all board committee meetings. These are included in the papers for the next full board meeting following the relevant committee meeting.

Subject to the prior approval of the chairman, any director is entitled to obtain independent professional advice relating to the affairs of the company, or to the director's responsibilities as a director at the cost of the company.

The board has determined that directors will hold office for an initial term of no longer than three years following their first appointment. Directors may offer themselves for re-election by shareholders at the end of each three-year term. If the director is appointed by the board between annual meetings, the three years applies from the date they are appointed at the meeting next following that interim appointment. The board charter records these requirements, which are subject to any limitations imposed by shareholders in a general meeting, and the requirements of the constitution relating to the retirement of directors by rotation.

The board has established the nominations committee to focus on the selection of new directors, the induction of directors, and to develop a succession plan for board members. The committee has a formal charter. The committee shall comprise of a minimum of two independent non-executive directors. The current members are Keith Turner (chair), Richard Didsbury, Anthony Frankham and Lloyd Morrison. Their qualifications are set out on pages 6 and 7 and attendance at meetings on page 97.

Corporate governance

continued

Name	Status	Board					Audit and risk			Remuneration			Nominations		
		Member	No of meetings	No of meetings attended	No of ad hoc meetings	No of ad hoc meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended	Member	No of meetings	No of meetings attended
John Maasland[1]	Independent non-executive	✓	9	5	27	14	✓	7	5	✓	3	1	✓	1	0
Anthony Frankham[2]	Independent non-executive	✓	9	9	27	27	✓	7	7	✓	3	2	✓	1	1
Keith Turner[3]	Independent non-executive	✓	9	9	27	22	✓	7	4	✓	3	2	✓	1	1
John Brabazon[4]	Non-executive Not independent	✓	9	4	27	12	✓	7	2						
Richard Didsbury[5]	Independent non-executive	✓	9	4	27	12	✓	7	2				✓	1	1
Lloyd Morrison[6]	Non-executive Not independent	✓	9	4	27	11				✓	3	2	✓	1	1
Michael Smith[7]	Independent non-executive	✓	9	5	27	14				✓	3	1	✓	1	0
Joan Withers[8]	Independent non-executive	✓	9	9	27	25	✓	7	6	✓	3	2	✓	1	0

1 John Maasland resigned from the board and committees on 27 November 2007.

2 Anthony Frankham relinquished the chairmanship of the audit and risk committee and joined the remuneration committee on 20 November 2007. He was appointed as chairman of the board on 27 November 2007.

3 Keith Turner relinquished membership of the audit and risk committee on 20 November and became chairman of the remuneration and nominations committees. Dr Turner was appointed as deputy chairman of the board on 27 November 2007.

4 John Brabazon was appointed to the board and audit and risk committee on 20 November 2007 at the company's annual meeting of shareholders.

5 Richard Didsbury was appointed to the board, audit and risk and nominations committees on 20 November 2007 at the company's annual meeting of shareholders.

6 Lloyd Morrison was appointed to the board, remuneration and nominations committees on 20 November 2007 at the company's annual meeting of shareholders.

7 Michael Smith retired from the board and committees after the annual meeting on 20 November 2007.

8 Joan Withers relinquished membership of the nominations committee and became chair of the audit and risk committee on 20 November 2007.

Principle 3: Promote ethical and responsible decision-making

The company has always required the highest standards of honesty and integrity from its directors and employees. This commitment is reflected in the company's ethics policy and code of conduct, which can be found on the Company Website. The ethics policy and code of conduct recognises the company's legal and other obligations to all legitimate stakeholders. The ethics policy and code of conduct applies equally to directors and employees of the company. The company also has a policy on share trading by directors and senior managers which can be found on the Company Website.

Principle 4: Safeguard integrity in financial reporting

The audit and risk committee is responsible for risk management oversight. This committee's formal charter reflects this responsibility. The audit and risk committee's charter can be found on the Company Website. The committee provides general assistance to the board in performing its responsibilities, with particular reference to financial matters. It includes specific responsibility to review:

- the company's financial reporting processes, system of internal control and the audit process; and
- the company's processes for identifying and managing risk, and for monitoring compliance by the company with law and its own policies.

The committee must have a minimum of three members, all of whom must be non-executive directors, and the majority must be independent directors. The committee is chaired by an independent chair, who is not chair of the board. The current members are Joan Withers (chair), John Brabazon, Richard Didsbury and Anthony Frankham, all of whom are non-executive directors and, other than Mr Brabazon, are independent. Their qualifications are set out on pages 6 and 7 and attendance at meetings on page 97.

The external auditors are invited to attend meetings when it is considered appropriate by the committee. The committee, at least once per year, meets with the auditors without any representatives of management present.

The chief executive officer and the chief financial officer are required each year to confirm in writing to the committee that:

- the company's financial statements present a true and fair view, in all material respects, of the company's financial condition, and operational results are in accordance with relevant accounting standards;
- the statement given in the preceding paragraph is founded on a secure system of risk management and internal compliance and control which implements the policies adopted by the board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The committee has received this confirmation from the chief executive officer and the chief financial officer. The audit and risk committee has adopted a policy in respect of the independence of the external auditor. This policy can be found on the Company Website. This policy places limitations on the extent of non-audit work which can be carried out by the external auditor, and requires the regular rotation of the partner of the external auditor responsible for the audit of the company every five years.

Principle 5: Make timely and balanced disclosure

The company is committed to promoting investor confidence by providing forthright, timely, accurate, complete and equal access to information in accordance with the NZSX and ASX Listing Rules. The company has a formal policy designed to ensure this occurs. That policy can be found on the Company Website.

The corporate secretary is the company's market disclosure officer, and is responsible for monitoring the company's business to ensure compliance with its disclosure obligations. Managers reporting to the chief executive officer are required to provide the corporate secretary with all relevant information, to regularly certify that they have done so and make all reasonable enquiries to ensure this has been achieved.

The corporate secretary is responsible for releasing any relevant information to the market once that has been approved. Financial information release is approved by the audit and risk committee, while information release on other matters is approved by the chairman of the board and the chief executive officer.

Directors formally consider at each board meeting whether there is relevant material information which should be disclosed to the market.

Principle 6: Respect the rights of shareholders

The company's communications framework and strategy is designed to ensure that communications with shareholders and all other stakeholders are managed efficiently. This strategy forms part of the disclosure and communications policy referred to under Principle 5.

The company currently keeps shareholders informed through:

- the annual report;
- the interim report;
- the annual meeting of shareholders;
- information provided to analysts during regular briefings;
- disclosure to the NZX and ASX in accordance with the company's disclosure and communications policy; and
- the Company Website.

The board has elected to continue with the production of the annual report this year in its hard copy format even though the law relating to such reporting has been amended. However, the board will be commencing the transition from print to electronic reporting during the course of the year.

The company's annual meetings are well attended by shareholders, and the company considers the meetings to be a valuable element of its communications programme. The chairman provides an opportunity for shareholders to raise questions for their board, and to make comments about the company's operations and performance. The chairman may ask the chief executive officer and any relevant manager of the company to assist in answering questions if required. The company's external auditors also attend the annual meeting, and are available to answer questions relating to the conduct of the external audit and the preparation and content of the auditors' report.

Principle 7: Recognise and manage risks

Risk management is an integral part of Auckland Airport's business. The company has systems to identify, and minimise, the impact of financial and operational risk on its business. These systems include a process to enable:

Corporate governance

continued

- significant risk identification;
- risk impact quantification;
- risk mitigation strategy development; and
- compliance monitoring to ensure the ongoing integrity of the risk management process.

The company's business is also subject to regular external audit at the operational level by New Zealand's Civil Aviation Authority. The company also has ISO9001:2000 certification. This is subject to audit.

The audit and risk committee is delegated responsibility by the board for the oversight of the company's risk management programme. The audit and risk committee's role includes:

- reviewing the company's system for monitoring compliance with law and the company's policies;
- evaluating the company's procedures for managing its risk management policy; and
- ensuring that the company has prepared plans to enable it to maintain operational and financial business continuity in the event of adverse circumstances.

The audit and risk committee's charter and the company's risk management policy can be found on the Company Website.

Principle 8: Encourage enhanced performance

Directors have unfettered access to the company's records and information as required for the performance of their duties. They also receive detailed information in board papers to facilitate decision-making. New board members take part in an induction programme to familiarise them with the company's business and facilities.

The board receives regular briefings on the company's operations from senior management. Tours of the company's facilities keep the board abreast of developments. Directors and management are also encouraged to continue the development of their business skills and knowledge by attending relevant courses, conferences and briefings.

The board has recorded in its charter the requirement for a regular review of the performance of the board, its members and committees. Each year the performance of individual directors is evaluated by a process which includes:

- each director discussing with the chairman that director's contribution to the proceedings of the board and the performance of the board and its committees generally; and
- the chairman's own contribution being discussed with the rest of the board.

The nominations committee assists the chairman in the performance review process.

The remuneration committee reviews the performance and remuneration of the chief executive officer and the remuneration of management reporting directly to the chief executive officer. The chief executive officer reviews the performance of management reporting directly to the chief executive officer. These reviews occur annually in accordance with formal review procedures which require feedback on performance from many sources to provide evidence of results achieved and to identify development opportunities. Each executive is assessed against their agreed key performance indicators and the core company values.

Principle 9: Remunerate fairly and responsibly

The board's remuneration committee has a formal charter, and all of its members are non-executive directors. Remuneration committee members are Keith Turner (chairman), Anthony Frankham, Lloyd Morrison and Joan Withers. Each member, other than Mr Morrison, is independent. The committee's charter can be found on the Company Website.

The company's remuneration policy is to ensure that:

- staff are fairly and equitably remunerated relative to comparable positions within the Australasian market;
- staff are adequately rewarded for excellence in achievements and performance; and
- the company is able to attract and retain high-performing people who will ensure the achievement of company objectives.

Directors

Non-executive directors receive fees determined by the board on the recommendation of the remuneration committee. Those fees must be within the aggregate amount per annum approved by shareholders. Shareholders approved a total pool of $1,150,000 at the company's annual meeting on 20 November 2007.

Each year the remuneration committee reviews the level of directors' remuneration. The committee considers the skills, performance, experience and level of responsibility of directors when undertaking the review, and is authorised to obtain independent advice on market conditions. After taking external advice, the committee makes recommendations on the appropriate levels of remuneration to the board for submission to shareholders for approval.

The company's constitution allows the payment of a retirement benefit, being a lump sum no greater than the director's fees paid to the relevant director in any three years of the director's term of office chosen by the company. Following the company's 2004 annual meeting, the directors froze directors' retirement allowances at the levels applying at the date of that meeting. Directors appointed after 21 April 2004 are not entitled to retirement payments.

Name	Director's fee	Accrued retirement allowance
Anthony Frankham *	$217,125	$150,000
John Maasland	$66,830	-
Michael Smith *	$211,544	-
Keith Turner *	$130,661	-
John Brabazon	$64,466	-
Richard Didsbury	$65,665	-
Lloyd Morrison	$61,513	-
Joan Withers	$114,738	$120,000

*Anthony Frankham's remuneration includes ad hoc committee fees of $66,320. Michael Smith's remuneration includes ad hoc committee fees of $70,202 and the payment of a retirement benefit of $105,000 which had accrued to, and was frozen at, 23 November 2004. Keith Turner's remuneration includes ad hoc committee fees of $5,000. In each case, the ad hoc committee fees relate to the representation of the company in the takeover activity/ownership proposals before the company.

Corporate governance

continued

Management

The company's senior management team is remunerated with a mix of:

- base salary and benefits;
- short-term performance incentives; and
- long-term performance incentives.

The levels of remuneration, and the mix between the base salary and short and long-term incentives, vary at different levels of management. The short-term component of the performance incentive is payable in cash. It is based on the company's achievement of certain financial goals set by the board annually, and the relevant senior manager's achievement of certain key performance indicators.

Long-term performance incentives include the company's executive share option plan and three long-term cash-based (phantom) incentive plans. The plans are designed to assist in attracting and retaining key executives, and ensuring alignment of executive and company interests.

The option plan has operated since 1999, with options issued each subsequent year since 1999. The last options were issued in 2004. A detailed explanation of the option plan is set out in note 25 of the notes to the financial statements.

The cash-based plans are similar to the option plan, but involve payment of a cash sum on the successful satisfaction of the terms of the plans. None include the issue of shares as is the case under the option plan. The first cash-based plan was established in November 2003 and mirrors the workings and economic effect of the previous option plan. The second and third cash-based incentive plans have been utilised in 2004, 2005, 2006 and 2007. One component involves the deemed allocation of shares at prevailing market value at the time of issue. The value of the shares is paid to the executive after three years' qualifying service at market rate prevailing at the 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 deemed exercise price is payable in cash, less tax, three to six years after allocation.

The company has also run an employee share plan. The last allocation of shares under the employee share plan has now been fully paid for by participating employees. A full description of the employee share plan is set out in note 25 of the notes to the financial statements.

Directors are not eligible to participate in any of the incentive plans operated by the company.

The salary packages of the five most highly paid employees currently employed by the company are outlined in the table below.

Name	Base salary and benefits[1]	Short-term incentive	Long-term incentive[2]	Retention payment[3]	Total
D. W. Huse	$621,281	$298,334	$1,343,318	$156,000	$2,418,933
A. E. A. Gollin	$336,813	$146,595	$495,410	$85,172	$1,063,990
S. Reindler	$275,844	$118,819	$462,331	N/A	$856,994
N. E. Forbes	$239,551	$84,868	$394,940	$63,397	$782,756
R. G. Sinclair	$343,170	$159,074	N/A	$260,897	$763,141

[1] Base salary and benefits include:
- base salary;
- company contribution to superannuation arrangements; and
- other benefits, including medical insurance, motor vehicles, professional fees and life and disablement cover.

[2] The company has long-term incentive plans for senior executives (refer note 25 in the financial statements). The amounts included in the table are the cash payments made during the year in respect of phantom options for plans established in 2003 and 2004, and phantom shares for the plan established in 2004. As at 30 June 2008, the estimated provision for future payments of the 2003, 2004, 2005, 2006 and 2007 long-term incentive plans was $2.000 million, and this has been provided for in full. The initial value of the long-term incentive was set independently by First New Zealand Capital Limited by applying the Black-Scholes methodology.

[3] The retention payments made to the named employees are those set out in paragraph 12.4 of the company's Target Company Statement dated 17 December 2007, and were paid on 30 June 2008.

Principle 10: Recognise the legitimate interests of stakeholders

Principle 3 outlines the company's ethics policy and code of conduct. The ethics policy and code of conduct recognises the company's legal and other obligations to all legitimate stakeholders. It requires appropriate conduct from the company's directors, employees and contractors.

The company procedure for reporting and dealing with any concerns in respect of the conduct of its directors, employees and contractors fully complies with the requirements of the Protected Disclosures Act 2001.

Compliance

The company complies with all of the requirements of the ASX Principles and the NZX Code as at the date of this annual report.

Shareholder information

Reporting entity

The company was incorporated on 20 January 1988, under the Companies Act 1955, and commenced trading on 1 April 1988. The company was re-registered under the Companies Act 1993 on 6 June 1997. On 25 June 1998, the company adopted a revised constitution, approved as appropriate for a publicly listed company. Further revisions of the constitution were adopted on 21 November 2000, 18 November 2002 and 23 November 2004 in order to comply with NZSX and ASX Listing Rule requirements.

The company was registered in Australia as a foreign company under the Corporations Law on 22 January 1999 (ARBN 085 819 156).

Stock exchange listings

The company's shares were quoted on the NZX on 28 July 1998.
The company's shares were quoted on the ASX effective 1 July 2002.

The company has not conducted any on-market buy-back. The company is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (ie, substantial holdings and takeovers).

Waivers granted by the NZX

No waivers have been issued to the company by the NZX during the year.

Disciplinary action taken by the NZX or the ASX

Neither the NZX nor the ASX has taken any disciplinary action against the company during the financial year ending 30 June 2008.

Regulatory environment

The company is regulated by, amongst other things, the Airport Authorities Act 1966 and the Civil Aviation Act 1990. The company is an 'airport company' for the purposes of the Airport Authorities Act 1966. The company has consultation and disclosure obligations under the Airport Authorities Act 1966.

The company is obliged to comply with the Airport Authorities (Information Disclosure) Regulations, with disclosure financial statements required to be published in November each year.

Auditors

Deloitte have continued to act as auditors of the company, and have undertaken the audit of the financial statements for the 30 June 2008 year.

Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the company has continued to indemnify and insure its directors and officers against liability to other parties (except to the company or a related party to the company) that may arise from their position as directors. The insurance does not cover liabilities arising from criminal actions.

Entries recorded in the Interests Register

Except for disclosures made elsewhere in this annual report, there have been no entries in the Interests Register made during the year.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, the company records that it donated a total of $10,000 to various charities during the year. The company's subsidiary did not make any donations during the year.

Earnings per share

Earnings in cents per ordinary shares were 9.24 cents in 2008 compared with 18.91 cents in 2007 and 8.44 cents in 2006.

Credit rating

As at 1 August 2008, the Standard & Poor's long-term debt rating for the company was Negative Outlook and the short-term debt rating was A-1.

Subsidiary company directors

Don Huse and Stephen Reindler held office as directors of Waste Resources Limited as at 30 June 2008. Don Huse and Charles Spillane held office as directors of Auckland Airport Limited as at 30 June 2008.

Annual meeting of shareholders

The company's annual meeting of shareholders will be held at the Genesis Theatre, TelstraClear Pacific Events Centre, 770–834 Great South Road, Manukau on Thursday, 30 October 2008 at 10.30 am.

Directors' holdings and disclosure of interests

Directors held interests in the following shares in the company as at 30 June 2008:

Anthony Frankham	Beneficially Owned	144,000
	Held by Associated Persons	31,996
Keith Turner		Nil
John Brabazon		Nil
Richard Didsbury	Held by Associated Persons	23,100
Lloyd Morrison	Held by Associated Persons	124,846,780
Joan Withers	Beneficially Owned	23,996

Disclosure of interests by directors

The following general disclosures of interests have been made by the directors in terms of section 140(2) of the Companies Act 1993:

Anthony Frankham
Chairman, New Zealand Experience Limited
Director, ProCare Health Limited

Keith Turner
Director, Keith Turner & Associates Limited

John Brabazon
Executive director, DBB Capital Limited
Director, Kern River Oil Corporation in the United States

Richard Didsbury
Director, Hobsonville Land Company Limited
Director, Kiwi Income Property Trust

Lloyd Morrison
Chairman, H.R.L. Morrison & Company Limited
Chairman, Infratil Airports Europe Limited
Chairman, Morrison & Company Infrastructure Management Limited
Managing director, Infratil Limited
Director, Infratil Infrastructure Property Limited
Director, TrustPower Limited

Joan Withers
Chief executive officer, Fairfax New Zealand Limited
Director, New Zealand Press Association Limited

Shareholder information

continued

Remuneration of employees

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees or former employees of the company, excluding directors of the company, who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more, during the year:

Amount of remuneration	Employees
$100,000 to $110,000	5
$110,001 to $120,000	2
$120,001 to $130,000	4
$130,001 to $140,000	4
$140,001 to $150,000	3
$150,001 to $160,000	4
$160,001 to $170,000	6
$170,001 to $180,000	1
$190,000 to $200,000	2
$210,000 to $220,000	1
$220,001 to $230,000	2
$250,000 to $260,000	1
$280,000 to $290,000	3
$290,001 to $300,000	1
$380,000 to $390,000	1
$540,000 to $550,000	1
$760,000 to $770,000	1*
$780,000 to $790,000	1*
$850,000 to $860,000	1*
$1,060,000 to $1,070,000	1*
$2,410,000 to $2,420,000	1*

Remuneration includes salary, performance bonuses, employer's contributions to superannuation, health and insurance plans, motor vehicle and other sundry benefits received in their capacity as employees.

The company has long-term incentives in place for senior executives for 2003, 2004, 2005, 2006 and 2007 (refer to note 25 in the financial statements); at balance date the value of these incentives was $2.000 million.

*The salary packages of the five most highly paid employees of the company are set out in detail on page 100.

Distribution of ordinary shares and shareholders

As at 1 August 2008

Size of holding	Number of Shareholders	%	Number of Shares	%
1 – 999	2,631	5.22	1,449,006	0.11
1,000 – 4,999	34,322	68.00	68,213,510	5.58
5,000 – 9,999	6,017	11.92	41,519,547	3.40
10,000 – 99,999	7,222	14.30	160,229,693	13.11
100,000 and over	284	0.56	950,883,483	77.80
Total	50,476	100.00	1,222,295,239	100.00

Substantial security holders

Pursuant to section 26 of the Securities Amendment Act 1988, the following persons had given notice as at 1 August 2008 that they were substantial security holders in the company and held a 'relevant interest' in the number of ordinary shares shown below:

Substantial security holder	Number of shares in which 'relevant interest' is held	Date of notice
Auckland City Council	155,766,240	06/12/02
H.R.L. Morrison & Co Group Limited	124,846,780	26/06/08
Manukau City Council (through its wholly owned subsidiary, Manukau City Investments Limited)	116,712,656	21/09/05
Manukau City Investments Limited	116,712,656	21/09/05
New Zealand Superannuation Fund Nominees Limited	105,100,878	17/06/08
Julius Baer Investment Management LLC	62,443,781	21/04/08

The total number of voting securities on issue as at 1 August 2008 was 1,222,295,239.

Shareholder information

continued

Twenty Largest Shareholders

As at 1 August 2008

Shareholder	Number of shares	% of capital
New Zealand Central Securities Depository Limited[1]	502,607,238	41.11
Auckland City Council	155,766,240	12.74
Manukau City Investments Limited	122,747,656	10.04
National Nominees Limited	28,610,250	2.34
Custodial Services Limited	18,777,357	1.53
FNZ Custodians Limited	9,733,323	0.79
Citicorp Nominees Pty Limited	8,318,469	0.68
HSBC Custody Nominees (Australia) Limited	8,217,804	0.67
Custodial Services Limited	6,161,762	0.50
Masfen Securities Limited	3,633,387	0.29
J P Morgan Nominees Australia Limited	3,625,571	0.29
Private Nominees Limited	3,623,700	0.29
Investment Custodial Services Limited	3,505,958	0.28
Bond Street Custodians Limited	3,291,000	0.26
Citicorp Nominees Pty Limited	2,916,389	0.23
NZ Guardian Trust Company Limited	2,860,720	0.23
Custodial Services Limited	2,472,549	0.20
Custodial Services Limited	2,468,980	0.20
UBS Nominees Pty Limited	2,260,600	0.18
RBC Dexia Investor Services Australia Nominees Pty Ltd	1,828,367	0.14

[1] New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 1 August 2008, the 10 largest shareholdings in the company held through NZCSD were:

Shareholder	Number of shares	% of capital
New Zealand Superannuation Fund Nominees Limited	115,463,707	9.45
HSBC Nominees (New Zealand) Limited	107,927,323	8.83
National Nominees New Zealand Limited	70,612,567	5.78
ANZ Nominees Limited	63,213,959	5.17
HSBC Nominees (New Zealand) Limited	36,160,145	2.96
Accident Compensation Corporation	25,500,944	2.09
Citibank Nominees (New Zealand) Limited	16,626,196	1.36
TEA Custodians Limited	9,831,234	0.80
NZGT Nominees Limited	8,540,249	0.70
Premier Nominees Limited	7,733,208	0.63

Investor information

Company publications

The company informs investors of the company's business and operations by issuing an annual report (with notice of meeting) and an interim report.

Financial calendar

	Half year	Year
Results announced	February	August
Reports published	March	September
Dividends paid	March	October
Annual meeting	-	October
Disclosure financial statements	-	November

Please note that the annual meeting will be held at 10.30 am on 30 October 2008 at the TelstraClear Pacific Events Centre.

Voting rights

The voting rights of shareholders are set out in the company's constitution. Each holder of ordinary shares is entitled to vote at any annual meeting of shareholders. On a show of hands, each holder of ordinary shares is entitled to one vote. On a poll, one vote is counted for every ordinary share. A person is not entitled to vote when disqualified by virtue of the restrictions contained in the company's constitution and the ASX and NZSX Listing Rules of the ASX and the NZX.

Enquiries

Shareholders with enquiries about transactions, changes of address or dividend payments should contact Computershare Investor Services Limited on +64 9 488 8700. Other questions should be directed to the company's corporate secretary at the registered office.

Stock exchange

The company's ordinary shares trade on the NZX and the ASX. The minimum marketable parcel on the NZX is 100 shares and in Australia a 'marketable parcel' is a parcel of securities of more than AU$500. As at 1 August 2008, 555 shareholders held fewer securities than a marketable parcel under the Listing Rules of the ASX.

Dividends

Shareholders may elect to have their dividends direct credited to their bank account.

Limitations on the acquisition of the company's securities

The company is incorporated in New Zealand. As such, it is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (such as substantial holdings and takeovers). Limitations on acquisition of the securities are, however, imposed on the company under New Zealand law:

(a) Securities in the company are, in general, freely transferable. The only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand law relating to takeovers, overseas investment and competition.

(b) The Takeovers Code creates a general rule under which the acquisition of more than 20 per cent of the voting rights in the company or the increase of an existing holding of 20 per cent or more of the voting rights in the company can occur only in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90 per cent or more of the shares in the company.

(c) The Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the Overseas Investment Office is likely to be required where an 'overseas person' acquires shares or an interest in shares in the company that amount to more than 25 per cent of the shares issued by the company or, if the overseas person already holds 25 per cent or more, the acquisition increases that holding.

(d) The Commerce Act 1986 is likely to prevent a person from acquiring shares in the company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

Share registrars

New Zealand
Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
North Shore City 0622

Private Bag 92119
Auckland Mail Centre
Auckland 1142
New Zealand

Telephone: +64 9 488 8700
Facsimile: +64 9 488 8787

Australia
Computershare Investor Services Limited
Level 3
60 Carrington Street
Sydney
New South Wales 2000

GPO Box 7045
Sydney
New South Wales 1115
Australia

Telephone: +61 2 8234 5000
Facsimile: +61 2 8235 5050

Corporate directory

Directors
Anthony Frankham, chairman
Keith Turner, deputy chairman
John Brabazon
Richard Didsbury
Lloyd Morrison
Joan Withers

Senior management
Don Huse, chief executive officer
Nick Forbes, general manager retail
Tony Gollin, general manager aeronautical
Chris Gudgeon, general manager property
Judy Nicholl, general manager people and performance
Lucy Powell, head of communications
Stephen Reindler, general manager engineering
Robert Sinclair, chief financial officer
Charles Spillane, general counsel and corporate secretary
Tony Wickstead, chief information officer

Registered office New Zealand
Jean Batten International Terminal
Auckland Airport
Manukau 2022
New Zealand
Telephone: +64 9 275 0789
0800 Airport (0800 247 7678)
Facsimile: +64 9 275 4927
Email: tellus@akl-airport.co.nz
Website: www.auckland-airport.co.nz

Registered office Australia
c/o KPMG
147 Collins Street
Melbourne
Victoria 3000
Australia
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
Website: www.kpmg.com.au

Mailing address
Auckland Airport
PO Box 73020
Auckland Airport
Manukau 2150
New Zealand

Corporate secretary
Charles Spillane

Solicitors
Russell McVeagh

Auditors
Deloitte

Principal bankers
Bank of New Zealand

This annual report is dated 21 August 2008 and is signed on behalf of the board by:

Anthony Frankham
Chairman of the board

Keith Turner
Director

Airport overview

Location
The airport is 21 kilometres from Auckland's central business district – approximately 35 minutes by motor vehicle.

Opened
First day of operations: 24 November 1965
Officially opened: 29 January 1966

Operational
No curfew
Operational 24 hours
365 days a year

Runway

Single runway	23L/05R and associated taxiways and aprons
Standby runway	05L/23R which is usually the main taxiway
Latitude	37º 00' 29" south
Longitude	174º 47' 30" east
Direction	051/231 magnetic
Length	3,635 metres
Width	60 metres (including 45 metres structural width and 15 metres shoulders)

Land area
Total freehold land 1,500 hectares

Retail outlets
Approximately 100 outlets in the passenger terminals
Retail space in the passenger terminals: 12,309m^2

Terminals
Jean Batten International Terminal
Domestic Terminal

Car parks
Over 9,144 (including rental car parks)

Status
Second busiest airport for international passengers in Australasia

Employees
Auckland Airport has approximately 300 operating staff (over 12,000 people work in the airport area)

Rescue and firefighting services (response unit)
The response unit has a variety of rescue vehicles that carry a range of firefighting, rescue extrication and communications equipment.

Rescue tender 1	Spartan Charger 4x4 (pump rescue tender)
Rescue tenders 2/3/4/5	Mills Tui Stryker 6 (major foam tender)
Rescue tender 6	Stryker 6-11000 (major foam tender)
Rescue fire control	Mitsubishi Challenger (command control vehicle)
Water tender	ERF
Jet boat	306hp Volvo Penta diesel engine with a Hamilton 271 11c^2 Jet unit
Two lancer inflatable boats	60hp Yamaha outboard
Hovercraft	Griffin 2000 TDX powered by a 355hp Deutz turbo-charged air-cooled engine

Aprons and taxiways

Apron surface and strength	Concrete; PCN/R/B/W/T
Taxiway width, surface and strength	30–44 metres; concrete; PCN 65/R/B/W/T

Passengers
- Over 70 per cent of all international visitors to New Zealand arrive at, and depart from, Auckland Airport
- Nearly 35,000 passengers are handled on average every day
- Annually there are over 13 million passenger movements

Aircraft
- Over 100 international flights and over 320 domestic flights are handled every day on average
- Annually the airport handles over 159,000 aircraft movements

Terminals
Jean Batten International Terminal
10 airbridge stands, 12 remote stands, with additional capacity possible

Domestic Terminal
6 airbridge stands, 14 gate stands, 2 remote stands

Glossary of terms

Aeronautical revenue
Aeronautical charges are paid by the airlines as landing, aircraft parking, refuelling, counter leases, common area terminal services charges, and as a passenger service charge.

Airside
The secure area of the airport, including the terminal facilities after emigration and screening processes, and the airfield.

Airbus A-380
The world's largest commercial passenger aircraft, the A-380 is expected to start flying into Auckland in February 2009. It is 15 metres wider than a Boeing 747 and has a tail that reaches seven storeys high. It can carry 555 passengers – 150 more than the 747.

Airport company
Auckland International Airport Limited.

ASX
Australian Stock Exchange.

Airways New Zealand
State-owned air traffic management organisation.

Automated border crossing
Auckland Airport is currently working with border agencies to develop an automated border crossing process using the latest technologies. Once proven, the automated border crossing process will use the new 'chipped' or 'e' passport.

Aviation Security Service (AvSec)
AvSec is responsible for undertaking a set of duties listed in Section 80 of the Civil Aviation Act 1990. Key duties are screening departing international passengers and domestic passengers, access controls, patrolling security designated areas and searching aircraft locations.

Board
The board of directors of Auckland International Airport Limited.

Bridge financing
A short-term funding facility used before a long-term funding facility is established.

Capital structure
The mixture of permanent long-term financing of a company including debt and shareholders' equity.

Civil Aviation Authority (CAA)
The CAA establishes civil aviation safety and security standards, and monitors adherence to those standards. It carries out accident and incident investigations and collates this material to establish an industry-wide safety picture. This becomes the basis of safety initiatives ranging from education campaigns to increased monitoring and regulatory action.

Directors
The board of directors of Auckland Airport.

Disclosure financial statements
Audited accounts for identified airport activities.

EBIT
Earnings before interest and taxation.

EBITDA
Earnings before interest, taxation, depreciation and amortisation.

HMSC-AIAL Limited
Joint venture company with HMSHost Inc providing food and beverage in the international terminal.

Hold stow baggage screening (HSBS)
The process of screening international checked-in baggage which is stored in the hold of the aircraft.

International Air Transport Association (IATA)
The governing body that regulates international air transport.

International Civil Aviation Organization (ICAO)
Specialised agency of the United Nations, to encourage the orderly growth of international civil aviation, establishing uniform standards for aircraft markings, airworthiness, and pilot licensing.

Joint User Hydrant Installation (JUHI)
The airport JUHI is operated through a joint venture between BP, Shell, Exxon-Mobil and Caltex. Jet A-1 fuel is received at the Wiri Oil Storage Terminal and pumped on demand to the airport JUHI. Over one billion litres of aviation fuel is delivered to the airport annually.

Landside
The public areas of a terminal, being those prior to emigration and security screening.

Masterplan
The process Auckland Airport has undertaken to generate a blueprint for airport development for the next 50 years and beyond.

Ministry of Agriculture and Forestry (MAF) and Biosecurity NZ
MAF quarantine officers work at every New Zealand border where people and goods enter the country to ensure unwanted pests and diseases do not enter the country.

MCTOW
Maximum certificated take-off weight of an aircraft – the basis for landing charges revenue.

Non-aeronautical revenue
Revenue from retail, property, car parks, utilities and general commercial activities.

New Zealand Customs Service
The Government agency which protects the community from potential risks arising from international trade and travel, while facilitating the legitimate movement of people and goods across the border.

NZX
New Zealand Stock Exchange.

Pax
Passengers.

Surface transport access
Road access.

Terminal expansion plan study (TEPS)
The study undertaken to develop a medium-term plan for the international terminal precinct.

Terminal services charge (TSC)
The charge to airlines to pay for common airside areas of the international terminal.

The company
Auckland International Airport Limited.

The airport
Auckland Airport.

Notes

PLEASE RECYCLE ME

Media contains pulp from well managed forests and is chain of custody certified. It is manufactured in an elemental chlorine free process under an environmental management system that encompasses ISO 14001 and Eco-Management and Audit Scheme (EMAS). The mill that produces Media has a working partnership with UNICEF.

Sumo Laser is an environmentally responsible paper manufactured under the environmental management system ISO 14001, using FSC certified mixed source pulp from Well Managed forests and other controlled sources. Manufactured using FSC certified Mixed Source Pulp from FSC Well Managed forests and other controlled sources. Forest certification ensures that wood used in paper production originates from sustainable well managed forests. UPM does not accept wood from protected forests or areas included in nature conservation programs.