Auckland Airport | Annual Report 2009

According to 8.2 million travellers, Auckland Airport is one of the best*

* Skytrax 2009 World Airport Awards – Auckland Airport voted one of the 10 best in the world and best airport in the Australia/Pacific region as judged by 8.2 million travellers worldwide.

Great, but here are five things we're doing to be even better.

While we are proud to be recognised by travellers as one of the best airports in the world, we can't take that for granted. We're operating in a tough travel demand environment and, while we are working hard to minimise the short-term impacts of the economic downturn, we remain very focused on a plan designed to deliver long-term sustainable growth for our shareholders. This report explains what we're doing to keep 'fighting fit' in tough times while striving for growth with a long-term plan.

1

Putting our customers first

Create a healthier commercial environment

- Develop a more customer-centric approach which involves alignment of business operations with airlines
- Facilitate a balanced and sustainable stable of airlines
- Ensure stakeholders and regulators recognise the value Auckland Airport provides
- Support alignment of ownership with strategy

2

Tightening our belts

Increase the focus on and discipline of cost efficiency and capital productivity

- Ensure operations are fighting fit for the downturn
- Facilitate a continuous improvement culture
- Apply greater scrutiny and discipline to capital management

3

Making the most of what we have

Unlock the full growth potential from the core business

- Optimise the customer experience to drive pricing for services
- Challenge commercial models to facilitate airport services differentiation
- Pursue new route/airline/tourism development
- Adopt a 'proactive landlord' approach in retail
- Reinvigorate and grow property development
- Improve performance of cargo business

4

Looking for new opportunities

Capture growth opportunities from the closest and most promising adjacencies

- Pursue property development opportunities outside aeronautical-related property
- Pursue new opportunities in cargo business

5

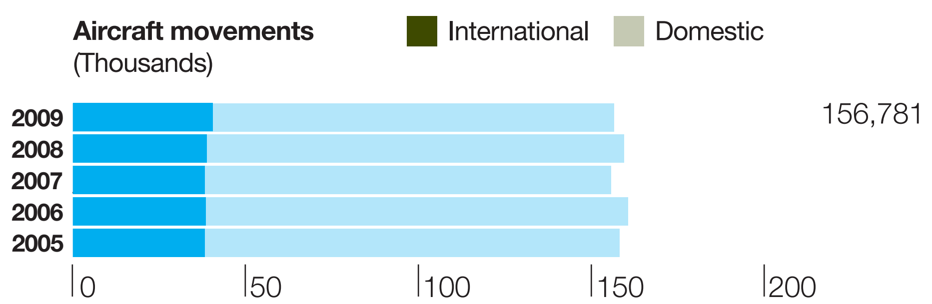
Looking beyond our business today

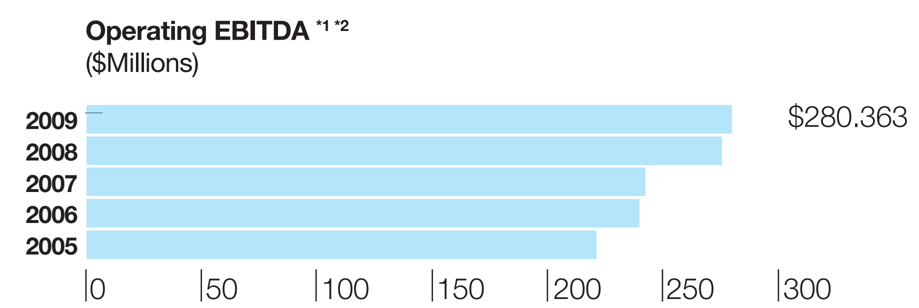
Pursue opportunistic but carefully selected step-outs aligned to core competencies

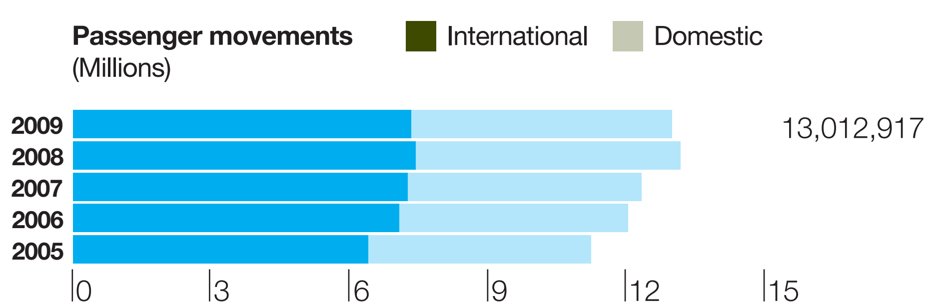
- Invest beyond the current business and grounds where investment criteria are met

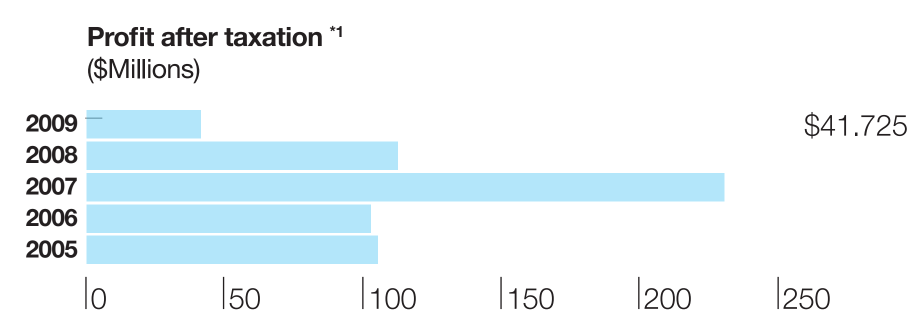
Contents

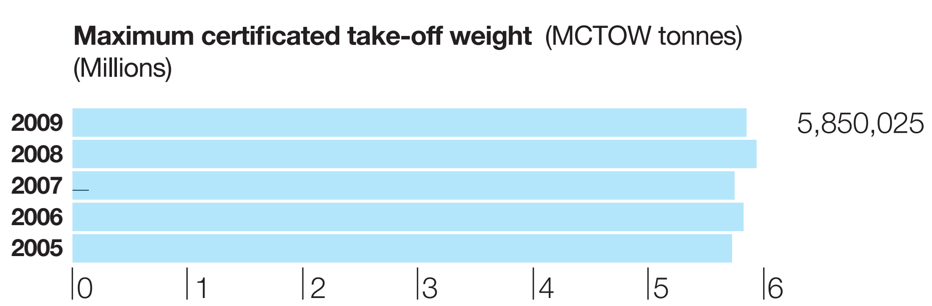
Results at a glance

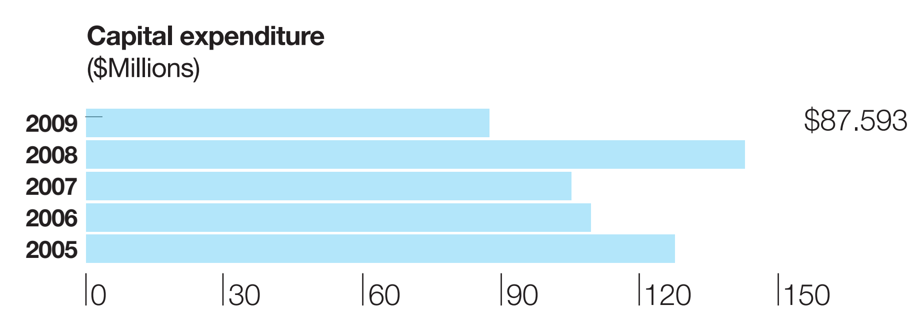


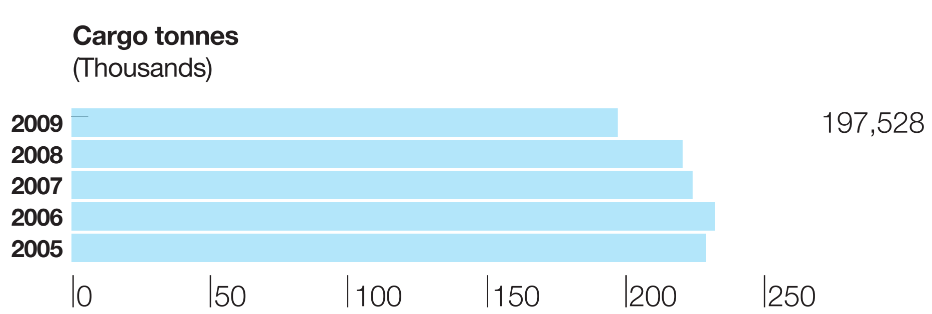


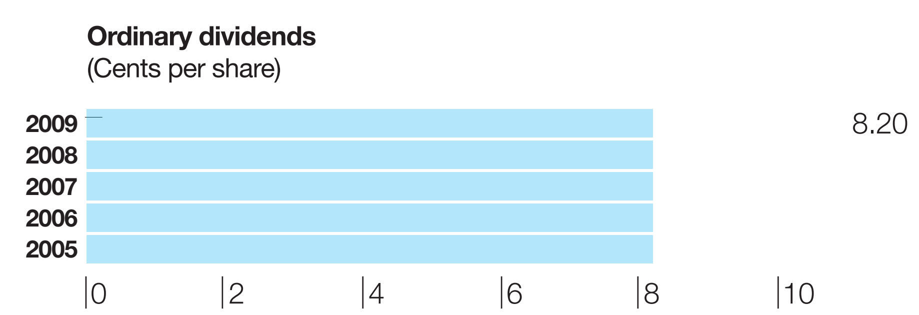


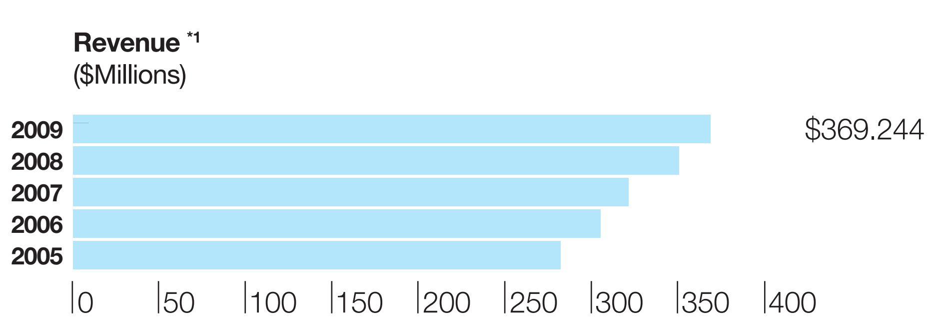


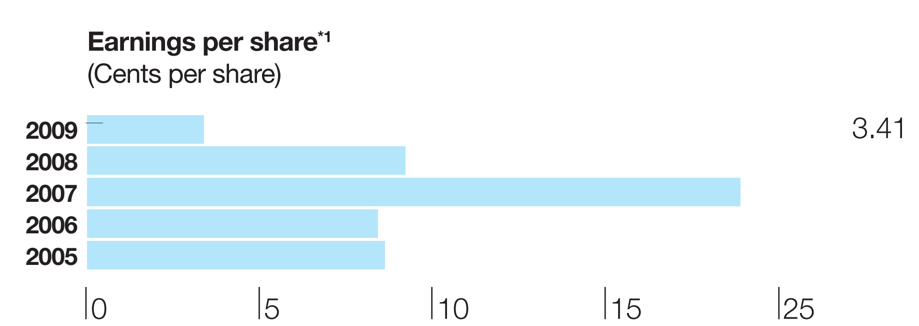












***1** The 2009, 2008 and 2007 financial numbers have been prepared under New Zealand International Reporting Standards (NZ IFRS) and the prior years were reported under previous New Zealand Financial Reporting Standards (NZ FRS).

***2** Operating EBITDA is before investment property fair value increases and costs relating to ownership proposals.

Highlights 2009

Voted one of the world's top 10 airports in 2009 Skytrax Awards

Two new international airlines won – Pacific Blue and Jetstar

Revenue up **5.2%**

$369.2m

Operating EBITDA up **1.6%**

$280.4m

Capital expenditure down **38.7%**

$87.6m

Underlying profit up **2.1%**

$105.9m

Two retail bond issues in FY09 raised **$180m**

International passengers down **1.4%**

Domestic passengers down **1.5%**

Competition on trans-Tasman stimulating demand

Australian visitors increased **7.1%**

Retail and property revenue **up**

Park & Ride venture a success

Final dividend of 4.45cps, bringing total dividend for the year to 8.20cps

Restructured operations, and resources managed proactively

Instituted performance management culture

Health and safety performance improved

JR Duty Free joined the airport as a second operator

International departures redevelopment well under way

Big investment in scaling up air service development capability and activity

Successful Lean Six Sigma process efficiency pilot study completed in international arrivals

New $50m international pier opened

Aeronautical charge increase deferred

Air New Zealand judicial review dropped

Airport hotel deal finalised

New border processing **technology** trialled

Renewed commitment to, and investment in, community and social responsibility

Company report 2009

In a year of especially challenging business conditions, we are pleased to report on a sound performance for Auckland Airport.

A world-leading airport

Auckland Airport has been voted the 10th best airport in the world, and the best in the Australia/Pacific region, in the 2009 independent Skytrax World Airport Awards. The World Airport Awards are based on the 2008-9 World Airport Survey conducted by UK-based aviation research organisation, Skytrax. Approximately 8.2 million travellers at more than 190 airports around the world completed the survey. Travellers evaluated their experiences across 39 different airport service and product factors. This is a big improvement on 2008, when Auckland rated 20th in the world and second best in Australia Pacific. This recognition is a testament to our efforts, in cooperation with our airline customers and border agencies, to improve the experience at Auckland Airport for those who matter most – travellers. See www.worldairportawards.com for more details.

Financially, our underlying net profit after tax of $105.9 million is within the guidance range we forecast last year and, operationally, we are tremendously proud to be recognised as one of the 10 best airports in the world.

Our financial report covers the operating performance for the full 2009 year in more detail. Of particular note is a 5.2 percent growth in revenue to $369.2 million, increased operating earnings before interest, taxes, depreciation and amortisation (EBITDA) of 1.6 percent to $280.4 million, and reduced capital expenditure of $87.6 million. These reflect our efforts to target key markets, drive greater yield and tightly manage ongoing operational and infrastructure costs.

Despite these achievements, shareholders will not need reminding that times are tough. We have been experiencing a period of extraordinary global economic uncertainty. For our business, this has meant a decline in total passenger volumes, from 13.2 million in 2008 to just over 13.0 million, after years of seemingly unrelenting growth, and an airline sector under severe pressure from changing industry dynamics.

The International Air Transport Association (IATA) is forecasting that airline losses worldwide may total US$9 billion in 2009. The Asia-Pacific region is predicted to be the worst hit with airlines in the region likely to lose US$3.3 billion.

In such a difficult business environment, we must look more closely at our cost structures and operational efficiency, both to maintain our profitability and to provide better value to our airline customers. We must also seek to use our capital more effectively, as the global financial crisis has made it more difficult for all businesses to access capital.

At the same time, we must remain focused on a vision and strategy to deliver long-term sustainable growth for our shareholders. The current downturn will not last forever and, if previous experience is an indication, the industry should, in time, bounce back to robust growth. We must continue to lay the groundwork now for this expected upturn, whenever it comes, by actively developing new air services markets through our relationships with airlines and travel industry partners. We are well leveraged to reap the benefits from the upturn because we have quality infrastructure and capacity in place and can cater for a significant increase in volumes with a relatively low level of associated costs.

Our vision and purpose

Simon Moutter joined the company as chief executive in August last year. During his first year, Simon built a new leadership team, combining experienced airport managers with executives from outside the industry able to bring fresh perspectives to the business. The team is committed to building shareholder value in the long term, guided by a powerful vision for the company.

Our expertise in developing quality infrastructure and our core operational skill-set represent important business assets that we can leverage further to generate greater value for our stakeholders. Whilst the Auckland Airport operation will always be the heart of our business, as we discuss in this report, we see real opportunities to improve earnings across the wider Mangere airport precinct. At the same time, we do not want our growth to be constrained by these geographic limits. Our strong competencies in managing the movement of people and goods are transferrable to other locations and businesses with similar dynamics.

Our corporate vision is to grow beyond the Auckland Airport operation to be the recognised market leader in creating value from businesses centred around hubs for large-scale movement of people and goods. The Novotel Auckland Airport hotel project we are now undertaking as part of a joint venture represents a good example of the opportunities this vision can enable.

We believe promising opportunities exist for us to leverage our underlying operational capabilities and customer relationships. But these sorts of opportunities are likely to be modest in scale and will be carefully assessed. They will need to be consistent with our strategy, they will need to leverage our strengths, they will need to offer a clear return on investment and, most importantly, they must not put our core business at risk.

There is a meaningful purpose behind our vision. We believe our primary business role is to play our part in growing travel, trade and tourism for the markets we serve. We will do this by reflecting unique market attributes in our brand, by delivering outstanding and welcoming customer experiences, by collaborating effectively with public and private enterprises, and by demanding excellence in all that we do.

Through doing this, our passengers will have a better travel experience, our customers and business partners will enjoy a more mutually beneficial partnership, and our shareholders will realise greater value from their investment.

In striving for these goals, we have already got a lot in our favour. We have a track record of developing and managing quality infrastructure assets. We are redoubling our efforts to improve the service excellence that is already globally recognised. We have an energised leadership team and passionate staff and we have a demonstrable commitment to working with our customers and partners.

Delivering on strategy
In March 2009, we unveiled our new strategy and its implementation is now well under way. The strategy represents a 'flightpath' for our growth over the next few years. Despite the challenges of the current downturn, we believe it is vital for long-term shareholder value that we remain growth focused. Our business is characterised by long lead times, whether investing in new infrastructure or developing new air services. We must continue to lay the groundwork to build new air travel markets so we are well placed to capitalise on the inevitable recovery in demand. In the short term, we must do all we can to run our business more efficiently and stimulate air travel volumes.

Our growth strategy looks at our business in three layers. The 'core' is the airport itself. Allied to this are two additional layers, each representing potential business opportunities beyond our core business. These include property development activities or other businesses involved in the efficient large-scale movement of people and goods, such as the accommodation, freight and logistics sectors. The nearest of these opportunities, which we term 'adjacencies', would either be within or close to the existing airport business or boundaries. More diverse or distant opportunities, such as becoming involved with a cruise ship terminal, would be what we term 'step-outs'.

Underlying profit

Reported profit after tax

2009 $41.7m
2008 $112.9m

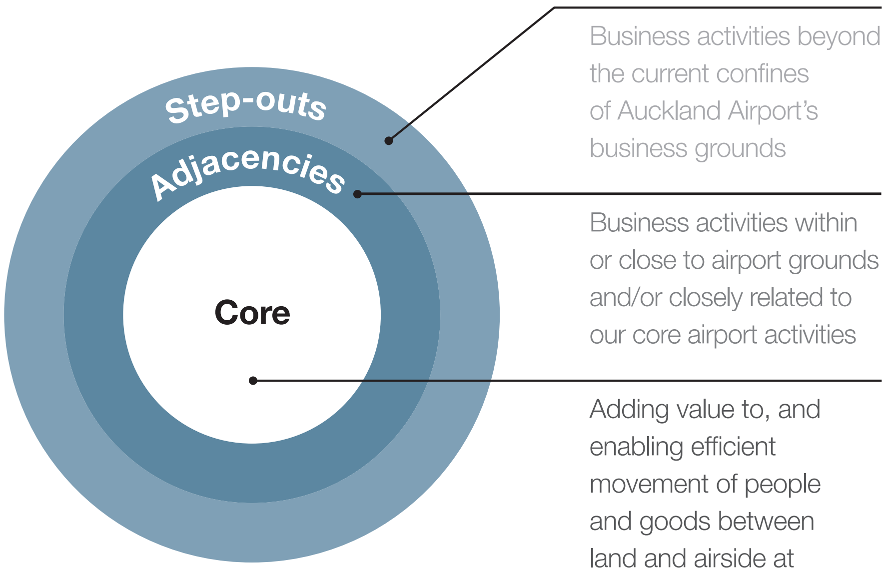
Add back unusual items (e.g. property revaluations, restructure costs, ownership bid costs, long-term incentive costs and tax effects)

2009 $64.2m
2008 -$9.2m

Underlying profit

2009 $105.9m
2008 $103.7m

'Flightpath' for growth



Anthony Frankham
Chairman

Simon Moutter
Chief Executive

Putting our customers first
Implementing this growth strategy has meant working with our industry partners on a range of initiatives to boost volume, drive yield and improve the passenger and customer experience.

We have looked for ways to work with our airline customers and other partners to develop a healthier commercial environment. That means improving our understanding of our partners' business models and working towards mutually beneficial and commercially appropriate outcomes. In short, we all have 'skin in the game' from growing air travel and we should work more effectively together.

'Fighting fit'
The current downturn has made it even more important that we have an organisation that is 'fighting fit'. This has included tighter management of costs and deferral of non-essential capital expenditure to ensure that we are developing infrastructure and operational capability that is fit for purpose and on time to meet demand. We have looked internally at our resources, systems and skills to ensure that we have the right capabilities, in the right places, to drive value and efficiencies. This has resulted in a reallocation of resources from engineering and construction activity to air services development and retail yield growth. We have restructured the management and operations of the business around our key revenue streams to make the most of our assets and capabilities. While this has resulted in some one-off costs, we expect to see benefits over the medium term.

We have invested significantly in air service development capability and activity, which has already borne fruit this year with the winning of two new international airlines – Jetstar and Pacific Blue. We have also strengthened our relationships with potential new airlines and with the key tourism stakeholders who can help drive additional volume from emerging and existing tourism markets.

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Lean Six Sigma process pilot study
Auckland Airport and key airport partners have now completed a pilot 'Lean Six Sigma' process study to better understand passenger arrival movements, identify bottlenecks and make the end-to-end arrival processing experience more efficient.

The study, using Lean Six Sigma methodology pioneered at companies like Toyota and General Electric, took a holistic view of passenger movements, and required the development of a model for the various border agencies to share better real-time information about the end-to-end arrivals experience. The goal is to reduce variations in service delivery, to have a set of common goals for all agencies involved and to implement real-time efficiency measures to optimise the arrival process.

We now have a programme of improvements partially implemented, and a number of long-term initiatives identified, including a target average of 15 minutes for arrivals processing and a target maximum of no more than 25 minutes at any time. We expect passengers will begin noticing a significant difference in terms of arrivals processing efficiency within six to 12 months, boosted by the new border processing technology investments and policy changes announced by the Prime Minister in August.

The pilot study, which we believe was a world-first multi-agency Lean process study in an airport environment, was a great success and demonstrated the value of Lean Six Sigma as a continuous improvement approach. We have now extended the Lean process to include similar studies of the departures process and of aircraft handling processes.

Making the most of what we have
Over the last five years, we have invested over $500 million in expanding and upgrading Auckland Airport. As a result, we have a base of quality infrastructure assets well placed to cater for current demand and likely growth in the near future (with relatively limited further investment). The immediate intention is to unlock the full potential of our current business. Major areas of focus include improving the passenger and retail experience, providing airlines and travellers with greater differentiation, and driving the sustainable growth of air services into Auckland.

Supporting many of our product development and marketing initiatives is the powerful concept of 'good, better, best'. The most effective way to grow market demand is to provide a range of

Leadership team profile

Mary-Anne Powell
Executive Assistant to Chief Executive and Office Manager

Mary-Anne provides executive assistance to the chief executive and manages the corporate office. Mary-Anne joined us in 2008 and has over 20 years' experience in executive assistance and office management. Prior to joining us she held senior executive assistant roles with Telecom, Progressive, Air New Zealand and the Auckland DHB.

service and price offerings that meets the varying needs of customers, from high-end premium to lower-end budget solutions. The concept is valid both with our airline customers and for travellers. We are using this model to push ourselves to create real choices for customers rather than the old-fashioned 'one size fits all' approach.

The key is making the most of what we have to generate efficiencies and optimise our work practices and relationships, by whatever means we can. Once we do that, we will reduce unit costs, we will be able to negotiate more mutually beneficial commercial partnerships, and we should generate a higher return on our valuable capital.

Several company-wide initiatives are under way to improve our own business processes, including the first of a planned series of quality campaigns that we have called 'Every Minute Matters'. The importance and value of time is a single unifying concept for all entities providing service at Auckland Airport. A process efficiency approach based on the Lean Six Sigma management technique is at the core of the campaign and we will have our staff, along with those in border agencies and the airlines, involved in identifying and working on the quality and efficiency of key airport functions.

Looking for new opportunities
Although our primary focus will remain within the Auckland Airport precinct, we will seek to take advantage of new or counter-cyclical opportunities near or beyond our core business. This is all about finding ways to leverage our assets and expertise in terms of the large-scale movement of people or goods to enhance shareholder value.

01 Auckland Airport serves 32 different international destinations
02 Jetstar arrived in New Zealand during the year
03 More than 13 million passengers moved through the airport during the 2009 financial year
04 New international pier opened for service

Aeronautical charges

Auckland Airport has temporarily deferred the effect of its scheduled July 2009 increase in its aeronautical charges. As part of the 2007-12 five-year pricing plan, charges were due to increase from 1 July 2009. Through the deferral, the overall costs associated with aircraft movements (both international and domestic) at Auckland Airport will remain broadly the same for at least the next six months. Given the challenging economic conditions for the aviation and tourism industries, we did not believe it was appropriate for the scheduled increases, albeit modest, to proceed. While this will have some bottom-line impact on us in the short-term, we believe the decision will generate far greater long-term value from our commercial relationships with airline customers.

Leadership team profile

Simon Robertson

Chief Financial Officer

Simon commenced as the Auckland Airport chief financial officer in August 2009. He is responsible for managing our corporate strategy and financial affairs. Simon joined us in early 2005 and has held a number of senior financial and aeronautical roles in his time with Auckland Airport. Simon has experience in senior financial roles in the manufacturing, entertainment and marine sectors, with strong financial, treasury and strategic expertise. Simon holds a Bachelor of Commerce from Auckland University and is a Chartered Accountant.

The IMF May 2009 forecast predicts Asia-Pacific GDP to grow 4.3 percent in 2010. With the GDP of leading Asia power-houses **China (+7.5%)** and **India (+5.6%)** still growing rapidly as well as **Thailand (+1.0%), Malaysia (+1.3%), Vietnam (+4.0%), Indonesia (+3.5%)** and **Philippines (+1.0%)** also showing good recovery, the Asia region is likely to lead growth in travel demand.

04

Aeronautical

Commitment to tourism
Air services are of critical importance to the New Zealand economy, especially in the areas of trade and tourism. Auckland Airport is playing a significant role in strengthening New Zealand's air services connections with the world at large. Around three-quarters of arrivals (and more than 90 percent of non-Australian arrivals) enter New Zealand via Auckland Airport.

Industry experience has shown that increased air services capacity can stimulate air travel demand. Non-stop services also encourage higher levels of travel. Auckland Airport is working hard with airlines and travel industry partners to maintain competitive direct air links on as many routes as possible and avoid New Zealand becoming a 'spoke' destination off an Australian eastern seaboard 'hub'.

As part of our growth strategy, Auckland Airport recently strengthened its commitment to New Zealand tourism by teaming up, for the first time, with the travel trade in promotional initiatives to help build traffic and strengthen air service development.

Recent joint venture marketing campaigns included a newspaper promotion in India with Malaysia Airlines, and a campaign with Emirates and a winter holiday wholesaler promoting ski holidays into New Zealand. In each case, Auckland Airport contributed market knowledge, distribution expertise and limited promotional funding alongside our partners.

We believe we are in a unique position to deliver value to New Zealand tourism because of our understanding of air service development and our strong relationships with the airlines that fly, or potentially will fly, to New Zealand. For many of these airlines, Auckland represents a small destination on their global network and, consequently, the route does not receive a lot of marketing attention. By proactively working with airlines on their marketing, we can help raise the 'mindshare' for New Zealand and grow tourism traffic.

Auckland Airport is committed to being proactive in capturing a share of future tourism growth. We aim to work with the government and the tourism industry to develop a long-term strategic plan and investment programme to make New Zealand a highly aspirational travel destination in the minds of the rapidly growing middle class in Asia. While the work under way to develop these markets will not deliver immediate returns, it is important the ongoing groundwork needed to establish the New Zealand tourism proposition in these markets is not abandoned in the short term due to economic pressures. We have made our aspirations very clear in this area by building a dedicated and experienced business development team which is working hard in emerging and established markets to encourage new airlines to fly to New Zealand.

Smarter technologies
During the 2009 year, Auckland Airport initiated or supported a number of technology efficiencies to improve aeronautical operations.

In October 2008, a pilot of new SmartGate technology commenced. New Zealand and Australian ePassport holders, travelling from Auckland Airport to Brisbane, Cairns and Melbourne were able to use SmartGate, an ePassport solution from the Australian Customs Service. The smart solution uses biometric face recognition technology to allow automated border processing. Eligible travellers were able to use their ePassport to undertake the SmartGate eligibility check prior to their arrival into Australia. SmartGate uses the data in the ePassport and face recognition technology to perform the customs and immigration checks usually conducted by a Customs officer, providing an alternative secure, efficient way to clear passport control. New Zealanders were the first non-Australians to be given the option of using SmartGate, reflecting the excellent working relations between New Zealand and Australian Customs Services.

The pilot was considered a great success, and the expanded use of SmartGate for trans-Tasman travel is expected to be implemented in Auckland arrivals from December 2009 and in departures from late 2010.

In other major technology improvements, the launch of our new website in December 2008, www.aucklandairport.co.nz, means we now have an online experience to match our outstanding customer service experience within the airport. We have made it easier for travellers or friends and families to access popular flight arrival and departure information and internet-savvy travellers can now visit online and find all the services on offer before getting to the airport.

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01 The Emirates A-380 now flies daily from Auckland
02 Auckland Airport is working hard with Air New Zealand to grow passenger numbers
03 The new Smart-Gates will make trans-tasman travel easier
04 Pacific Blue have helped increase capacity and drive growth on the trans-tasman route

Leadership team profile

Glenn Wedlock

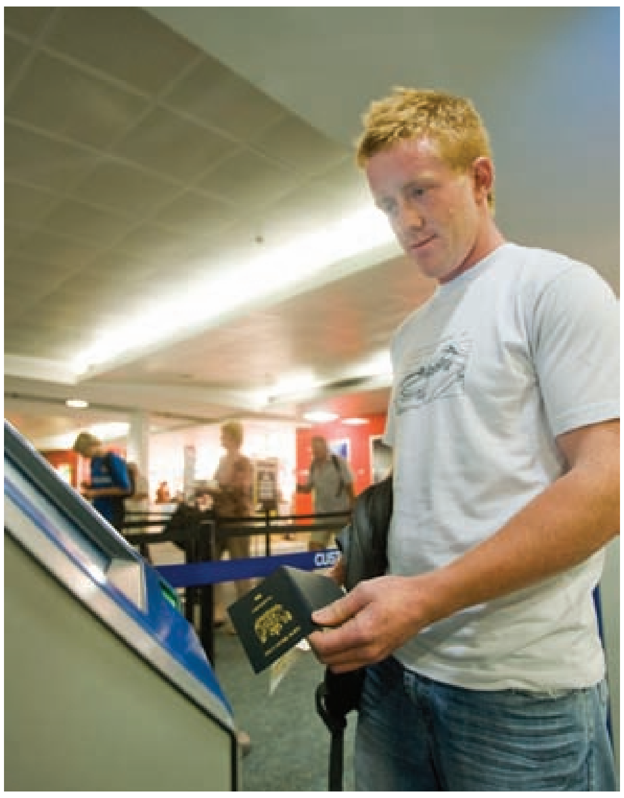
General Manager Aeronautical Business Development

Glenn is responsible for developing and growing new and existing commercial relationships with airline, trade and tourism customers, covering both passenger and freight activities. Glenn joined us in January 2009. Prior to that he was CEO of Southern Hemisphere Proving Grounds and Mitre Peak Cruises. He has previously worked with Infratil Airports in Europe and Christchurch International Airport.

Streamlining the border
Recent talks have been held between Australian and New Zealand authorities to look at ways to streamline border processing between the two countries. These talks culminated in an announcement by the New Zealand and Australian Prime Ministers on 20 August 2009 of a range of measures, including changes to screening procedures, and a wider introduction of the SmartGate technology, that will make travelling between the two countries easier.

We believe these changes are a brilliant initiative that will help drive the tourism demand that is so crucial for the New Zealand economy. Solid growth in Australian visitor arrivals has been one of the few recent bright spots for the New Zealand tourism industry. In part, this is due to the efforts of Auckland Airport, working in close consultation with our airline customers, to introduce new competitive air services and increased seat capacity on routes across the Tasman.

Auckland Airport, along with all our border agency partners, participated fully in all discussions, in order to look at ways in which technology and efficiencies can help make the border less 'visible' to the passenger, while retaining the integrity of our sovereign border for critical functions such as customs, immigration and biosecurity. Our Lean process work with the border agencies has provided a perfect methodology and platform for jointly supporting appropriate trans-Tasman initiatives that will make the experience more efficient and encouraging for travel between New Zealand and Australia.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Capacity growth drives visitor growth

Auckland Airport makes an important contribution to air services. Part of our strategy has involved working hard with our airline partners, investing in tourism initiatives and sustainable air services, and keeping planes flying and air services open. Put simply, to get more 'bums on seats', you need more seats first.

The impact of supply and demand on travel behaviour has never been more evident in New Zealand than it has been in recent years. Although it is in no one's interest to have unsustainable oversupply of seat capacity, there is strong evidence that additional supply in the form of new or additional air services has a stimulatory effect on passenger volume growth. This in turn drives further economic benefit to all New Zealanders.

In the five years from 2003 to 2008, the annual number of flights from Australia to New Zealand airports increased 44 percent to 18,354 - that represents about 108 extra flights every week. Seat numbers were also up 35 percent to 3.6 million – an increase of almost 1.0 million in just five years. In the same five-year period, Australian visitors to New Zealand increased 39 percent, to 976,000 and, in the 12 months to May 2009, topped 1.0 million for the first time.

Aeronautical charges benchmarking

In setting the charges that airlines pay to use Auckland Airport, we aim to strike the right balance between our need to earn an appropriate return on investment and the desire of our airline customers to minimise their operating costs. Auckland Airport compares favourably with other airports worldwide in terms of airline charges, ranking 'middle of the pack' in independent benchmarking studies undertaken by Jacobs, an independent London-based aviation consultancy whose work is widely respected in the international aviation industry. Auckland ranked 18th out of 50 global airports in Jacobs' Airport Charges Index for 2008. A similar February 2009 Jacobs study commissioned by Auckland Airport found Auckland had the eighth-lowest charges out of the 20 largest international airports serviced by Air New Zealand, in terms of total turnaround costs for typical aircraft types.

Leadership team profile

Tony Gollin

Chief Operating Officer Aeronautical

Tony is responsible for the aeronautical business and provides a seamless service between Auckland Airport and aeronautical customers. He is also responsible for design, construction, operation and maintenance of airside and terminal building facilities. Tony rejoined us in 2004, and is an aviation industry specialist who has worked in international airport development and senior roles in the public and private sector.

Welcoming new air services
As new or expanded air services are secured, so we need the infrastructure and service capacity ready to meet them. February 2009 saw the arrival of Emirates' giant double-decker A-380 aircraft on a regular service. To ensure we were ready and 'A-380 friendly' we invested $50 million on widening our runway and taxiways and building a new multi-use pier at our international terminal. Prime Minister Helen Clark officially opened the new international pier on 10 October 2008.

Auckland Airport also welcomed the commencement of new trans-Tasman services from Jetstar in April 2009 and new domestic air services in June 2009, as Jetstar took over from its parent company, Qantas, on the main domestic routes.

We have also finished a significant investment, in conjunction with Airways New Zealand, into low-visibility landing aids, in order to minimise the impact of adverse weather conditions, saving time and money for airlines, and providing greater security of service and convenience for passengers. This also has significant environmental benefits in terms of less fuel burn by airlines. Similarly, Auckland Airport invested in the provision of air conditioning and power supply to aircraft using the international terminal to avoid the need to run aircraft engines for these services.

Northern runway
For many years, a second runway has been part of Auckland Airport's long-term master plan and this remains the case. Continued long-term growth in the number of flights and the ever-growing range of aircraft type and size will inevitably put the existing runway under capacity pressure, especially during peak periods. A second runway will be required to help serve New Zealand's future tourism and trade needs. The new runway will be north of, and parallel to, the existing main runway. Earthworks commenced in late 2007 on the first stage and have progressed well.

However, as for all major long-term infrastructure projects at Auckland Airport, we must carefully ensure that the supply of additional infrastructure capacity is delivered on time to meet future tourism and trade demand – not ahead of or behind this demand. With passenger volumes currently in decline and the growth recovery time frame still uncertain, we believe it is sensible to review our timetable for staged completion of the northern runway.

As a result of the decline in passenger volumes, we have taken the decision to defer ongoing construction of the northern runway for a period of 12 months to allow demand to 'catch up'. While some capital expenditure costs will be required to prevent degradation of the runway project work completed to date, it will be a significant reduction on previous capital expenditure forecasts.

We are satisfied that, given the good progress made to date and the care that will be taken in protecting the works during the next year, we remain able to complete the northern runway on schedule following this deferral period. This hiatus also allows time to obtain some further clarity in relation to the regulatory treatment of the northern runway.

Air New Zealand judicial review
Air New Zealand announced in July 2009 that it would withdraw its application for a judicial review of Auckland Airport's aeronautical charges, which was initially lodged in 2007. This decision leaves the way clear for Auckland Airport to concentrate on building closer commercial relationships with Air New Zealand and our other airline customers.

Commerce Commission
Following an amendment to the Commerce Act in 2008, New Zealand's three biggest airports (including Auckland) are working towards a new regulatory regime that is due to take effect from mid-2010. Under the Airport Authorities Act 1966, Auckland Airport is required to act commercially and set its charges following consultation with airlines at least once every five years. This approach will continue under the new regime.

Te Manukanuka O Hoturoa Marae

Our unique Marae experience continues to grow. The traditional Maori meeting place (Marae) at Auckland Airport was established through our work with local Maori (tangata whenua). Visitors to Auckland and New Zealand have the chance to experience and explore this unique piece of local culture. The Marae is used for a variety of purposes: official welcomes and farewelling of dignitaries, educational programmes, cultural events and the provision of comfort and shelter for bereaved families. This year a new guide to the Marae was published to promote Marae services.

This year Auckland Airport became very involved in Maori language week for the first time. We displayed a Maori word art display from Nga Iwi Primary, a local school, and asked them to give arriving international passengers kapahaka performances in the international arrivals area.

The growing significance of Matariki, a celebration of the traditional Maori new year, was also recognised by Auckland Airport, with a moving evening for special guests hosted at the Marae, featuring performances and song from some of New Zealand's most popular artists.

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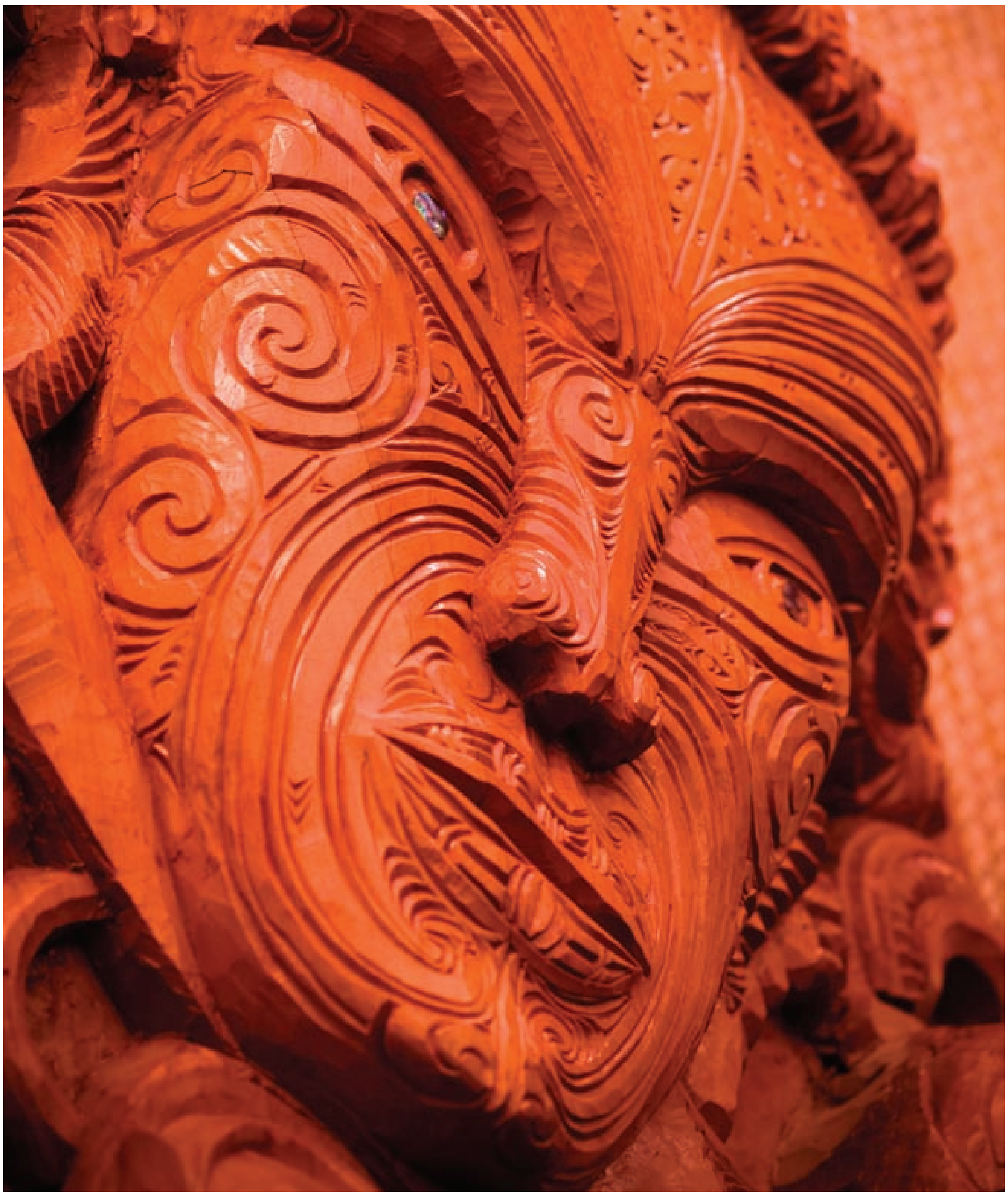

However, the amended Commerce Act requires the Commerce Commission to develop an 'information disclosure' regime (continuing New Zealand's light-handed regulation) for the airport sector. The Commerce Commission will determine what information each airport should publicly disclose to enable interested parties to assess whether airports are promoting outcomes consistent with those produced in competitive markets. The Commission is currently consulting with the industry on the details of this new information disclosure regime, targeted to be in place by 1 July 2010.

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01 Part of the beautiful carving at Te Manukanuka O Hoturoa Marae
02 The first Emirates A-380 at Auckland Airport was welcomed with a water cannon salute
03 Life Flight Trust received a $10,000 donation as part of the Twelve days of Christmas

Twelve days of Christmas

For years, travellers through Auckland Airport have generously donated their foreign currency or loose change in the large donation globes positioned throughout the airport. These donations were then distributed to largely local charitable organisations.

In the 12 days leading up to Christmas in 2008, Auckland Airport decided to give sizeable, meaningful donations to 12 different local and national charities at a tough time of the year. The donation programme was open to the whole of New Zealand, to reflect the fact that the people who put the money in the globes have usually enjoyed travelling the breadth of our beautiful country. Auckland Airport distributed a total of $120,000 to 12 different charities in a bid to spread some Christmas holiday goodwill. The decision to donate the money created an overwhelming amount of interest with 325 worthy charities applying for a slice of Christmas cheer. The extremely difficult job of whittling the list down to just 12 was a team effort with local mayors and senior management involved in the selection process.

The charities selected were a range of national and local organisations covering health, family, and environmental issues, and, in most cases, the donation went directly to a particular item, such as a new van for the West Auckland Hospice to allow them to transport terminally ill patients with more dignity.

Given the huge interest in the promotion, Auckland Airport will be repeating the process at the end of this year. The promotion was awarded the Corporate Public Relations Award at the 35th Public Relations Institute of New Zealand (PRINZ) Awards in Wellington.

Leadership team profile

Andrew Pirie

Strategic Communications Advisor

Andrew provides us with high-level direction on strategic, corporate and stakeholder related issues to ensure the voice of Auckland Airport is heard where it matters. Andrew joined us in 2008. He is a very experienced communications strategist and until 2007 spent over 11 years working in Asia-Pacific, where he was regional CEO for one of the world's largest PR firms. Prior to that Andrew held New Zealand-based roles in PR and journalism.

Once the information disclosure regime is operating, the Commerce Commission will report to the Government on how effectively the regime is working, following each airport's next price reset in or after 2012. The continuation of a light-handed regulatory regime is in the best interests of the travelling public of New Zealand and the tourism industry.

Airports need regulatory certainty and the ability to set charges commercially, so that they have confidence they can invest to encourage market growth and earn a satisfactory return on investment. As airport capital investments are often very large and take many years to complete, airports must take a long-term view in the interests of the entire travel market. This can sometimes create differences with our airline customers, who tend to operate with a much shorter time horizon. Because of our considerable investment in recent years and our ongoing projects, Auckland Airport ranks as one of New Zealand's few major infrastructure assets that can cope with a dynamic environment and can invest in further capacity as constraints emerge.

Consultation with the Commission is a three-stage process. The Commission published its preliminary views in its 'Discussion Document' in June 2009. Auckland Airport has made its initial submission and will continue to be involved in submissions and workshops with the Commission until the end of 2009. Once the Commission has considered the views of all parties, it will issue 'Draft Determinations' in the first quarter of 2010. Auckland Airport will have the opportunity to provide feedback to the Commission, with the Commission issuing its 'Final Draft Determination' in the second quarter of 2010. Technical drafting will be finalised during that period by the Commission with the formal process concluding on 30 June 2010 (although there is a provision for a six-month extension to this deadline), when the Commission is expected to make its 'Final Determination'. The new information disclosure regime will come into force on 1 July 2010.

While Auckland Airport is focused on this ongoing process, the costs imposed on the most significant players in the New Zealand tourism industry as a result have been significant. We believe that the more funds devoted to these processes by all concerned, the fewer funds will be available to improve the traveller experience or to promote New Zealand as a destination.

Leadership team profile

Judy Nicholl

General Manager Human Resources

Judy is responsible for the creation of a high-performance culture underpinned by strong human resource initiatives. Judy joined us in 2006 and has a human resources background within several industry groups including primary processing, travel and tourism, education and New Zealand Police.

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01 The new Park & Ride service has been a great success
02 The $50 million upgrade of the international departures experience is well under way

Retail and commercial

Our retail and commercial offering is an important source of value for the airport, representing around 28.5 percent of total revenues. This year we have started to invest in better understanding the drivers of our retail businesses. We have also begun the task of maximising results from the dual duty free operator model with JR Duty Free and DFS Galleria. Our intention is to push operational performance and improve the retail experience through initiatives such as closer collaboration between the airport and retailers, tighter linkages between the retail mix and customer needs, and careful planning of retail spaces. In short, we want to create an environment that offers more choice and encourages travellers to spend more on shopping and on food and beverages when at the airport.

A better passenger experience
At the international terminal, a $50-million project is under way to create a brand new departures experience for travellers, friends and family. The new and improved area will provide a uniquely Kiwi space that will be warm and welcoming and will ensure international visitors' departing experience of New Zealand is an outstanding one. Processing areas will be enhanced and there will be more space, shops, dining options and services available airside (after security) for departing travellers and better use of the space in the public area landside. The project commenced in October 2008 and is being staged over two years to minimise disruptions to ongoing terminal operations.

Duty free
July 2009 saw JR Duty Free making its first sales as the second duty free operator at Auckland International Airport. JR Duty Free has shown that it brings a passion for getting it right and, because they do not currently operate duty free stores at any airports linked directly with Auckland, a sale lost here will be a sale lost to them. That gives JR Duty Free a strong incentive to provide value for money to duty free shoppers at Auckland Airport.

The selection of JR Duty Free as our second duty free operator followed an international tender process after the expiry of the duty free licence held by Nuance Group (trading as Regency Duty Free). Both JR Duty Free and DFS Galleria now have stores in both the departures and arrivals areas of the international terminal.

We had initially planned to move to a single duty free operator model from August 2009 but after the Commerce Commission expressed concerns with this plan, we made a pragmatic decision to maintain two operators.

The reversion to a dual operator model in the 2010 financial year will have a negative impact on the revenues we receive from our contractual agreements with duty free operators. That revenue impact will be magnified due to the effect of the global downturn on international passenger volumes and spending levels, as well as from disruption due to construction work in the departures area.

Leadership team profile

Adrian Littlewood

General Manager Retail and Commercial

Adrian is responsible for all of our carparking and retail businesses, including duty free, specialty retail, and food and beverage. Adrian is also responsible for passenger experience, brand and marketing activities. He joined us in February 2009 from Telecom, where his most recent role was in the mass-market retail business. Adrian has proven strategic marketing skills and wide commercial experience.

Parking
Parking in and around Auckland Airport is highly competitive. We have responded strongly to this competition, upgrading many of the airport car-parking facilities and developing new offerings to cater for varying customer needs. December 2008 saw the launch of our own popular new low-cost Park & Ride service, in response to market demand. Auckland Airport now has a full range of parking options to meet every customer need, from long-term to short-term, basic service to full service and across the full range of price points. We have also introduced a 10-minute free parking option for express pick-ups or drop-offs and we have improved the forecourt and parking layout to provide greater clarity to motorists.

Surface access
The continual improvement of public and private access to and from Auckland Airport is a key priority for us and is one of the elements of our overall sustainability policy. The last year alone has seen significant improvements in terms of new bus transport services, the opening of the new Mt Roskill extension to SH20, and significant progress on the provision of clear-routes on major arterial roads linking the airport to the CBD.

Auckland Airport understands well the complexities of planning and implementing large-scale infrastructure projects. It is often difficult to balance the financial and social costs of new infrastructure with the long-term benefits that it will bring. Ultimately, decisions need to be made that provide certainty for everyone.

Looking forward, we believe that completion of the full Western Ring Route is the highest-priority transport infrastructure project in Auckland today. It will provide the Auckland region with improved accessibility to our major transport hub, and will also ensure that the benefits of the substantial investment currently under way on the SH20 extension and the second Manukau Harbour crossing will be fully realised.

While a future rail-link to the airport remains probable in the long term, and Auckland Airport remains committed to playing its part, it is important to balance regional transport priorities. In the short to medium term, we believe that there are significant and cost-effective improvements that can be made to roading and the regional bus network that would also greatly improve airport access.

Rugby World Cup 2011
Auckland Airport cannot wait for the 2011 Rugby World Cup in New Zealand. The event gives us a chance to provide rugby fans and teams alike a fantastic Kiwi welcome. With the vast majority of fans and players likely to pass through our doors, we have a huge role to play. We will be more than ready: we have the capacity and infrastructure in place to cope with the expected additional volumes and we will be making many more improvements to our airport between now and 2011. These improvements include a top-class airport hotel to provide additional accommodation for fans. With the eyes of the sporting world fixed firmly on New Zealand during those passionate few weeks, we are totally committed to playing our part to ensure that this global event is a major success for New Zealand and everyone involved.

Property

Auckland Airport has a significant property opportunity with over 350 hectares of land identified for development, and further development opportunities in the land currently utilised.

We have adopted a more flexible approach to development and ownership structures, and we have the potential to increase the rate of development through new opportunities, capital or expertise, for example through ground leases or joint ventures.

Outside of our development activities, this year also saw a focus on the more proactive management of our portfolio and streamlining our property management activities to ensure that our tenant relationships are on a sound footing.

While we are excited by the potential in our property business, we must recognise that the property market is currently enduring very tough conditions, which we expect to continue for the short term. These conditions were reflected in a decrease in the valuation of the company's investment property portfolio of $64.6 million, compared with an increase in valuation of $13.7 million for 2008. As movements in investment properties are non-cash adjustments, they will not affect dividends to shareholders

Airport hotel

Shortly after the end of the financial year, we announced a conditional deal to build a hotel at Auckland Airport, adjacent to the international terminal. The hotel, which will be developed by a joint venture between Tainui Group Holdings, Accor Hospitality and Auckland Airport, will be a world-class (4-star plus) 260-roomed Novotel hotel. We expect completion in time for the Rugby World Cup 2011, provided the joint venture can obtain bank financing and an acceptable construction contract.

Tainui will act as lead developer and investor in the joint venture, with Auckland Airport holding a 20 percent minority interest. The hotel will be developed on a long-term ground lease granted by Auckland Airport and will be managed by Accor. Warren & Mahoney Architects will design Novotel Auckland Airport, and the design will infuse subtle references to New Zealand culture and heritage, offering style, convenience, and a great first and last impression to travellers.

There has been a clear demand for a hotel at Auckland Airport for some time. We are exceptionally pleased to bring together such a strong group of partners, each with excellent track records, skills and experience.

Craigie Trust

The appeal by the Craigie Trust, against the June 2008 High Court decision that ruled substantially in favour of Auckland Airport, is scheduled to be heard in September 2009. Auckland Airport's cross appeal on the two aspects of the High Court decision that were not in our favour will be heard at the same time. The High Court ruling followed a claim by the Craigie Trust under the Public Works Act that 36.4 hectares of land acquired during the 1970s should be offered back to the Trust. Auckland Airport remains firmly of the view that the claim was without merit and the High Court decision was substantively appropriate.

Plan-change hearings

Auckland Regional Council and Manukau City Council are currently hearing Plan Change 13 to the Regional Planning Statement and Plan Change 14 to the Manukau District Plan. The plan-change process has been promoted by the respective councils to provide much needed business land for the Auckland region including rezoning of 160 hectares of airport land to a special development zone to provide facilities that will support the airport operations and airport users. Auckland Airport has proposed a high-quality business park plus 23 hectares of parkland bordering the Oruarangi Creek which will include recreational facilities such as cycleways and walking paths. The park proposed will provide a significant recreational asset for the public of Auckland as well as providing an important link to the Otuataua Stonefields and public access to the coastal edge of the Oruarangi Creek.

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Corporate

Health and safety
Auckland Airport prides itself on a rigorous health and safety vision and philosophy. We operate according to the philosophy that all injuries are preventable and zero harm can be our only aspiration. We are committed to improving lost-time injury performance and passenger injury rate. As a result, lost time injury ('LTIs') frequency rate and passenger injuries per million passengers are our primary performance indicators for the business.

This year we are delighted to have achieved the lowest number of LTIs since injury statistics were first recorded for the business back in 1995. Four LTIs were recorded in FY09 and when compared with as many as 13 LTIs recorded in some years gone by, this is a big improvement. For FY09 we set a target of 6.5 LTIs per million work hours. We achieved a figure of 6.1 per million work hours. There has also been a significant reduction in passenger injuries in FY09 with 84 injuries reported (6.5 per million passengers) compared to 123 injuries reported in FY08 (9.7 per million passengers).

Airport Emergency Services were the biggest contributors to this result with a significant reduction in LTIs over the past two years. Our highly skilled Airport Emergency Services team responded professionally and quickly to over 4000 incidents during the year. By its nature, their work can be risky and their increased focus on safety has been justified by this result.

Whenuapai
In light of the Government's decision in February to retain the Whenuapai airbase for military use, Auckland Airport welcomed the decision made to defer hearings on the proposed Waitakere City Council District Plan Change. We think it is vital that Auckland achieves the best outcome from infrastructure investment and resources for the region as a whole, and the issue of whether a second commercial airport is justified needs to be viewed in this wider context.

Overseas Investment Act
In July 2009, the Government indicated that it intends to reform the Overseas Investment Act ('OIA'). This is of particular interest to Auckland Airport as the OIA was used as an instrument by the previous government to block a partial sale of Auckland Airport to the Canada Pension Plan Investment Board. At the time of finalising this report, there are no ownership discussions taking place, the terms of the proposed amendment to the OIA are as yet unknown, and Auckland Airport is monitoring the reform process with interest. We firmly believe that any changes made should be for the purpose of providing certainty to current or prospective investors.

Human resources (HR)
Every successful organisation must have a strong focus on its people and capabilities. To deliver on the growth strategy, we must have the right skills and know how, we must be able to shift our mind-sets, we must look for continuous improvement, and we must have the right tools, systems and processes to do our job brilliantly.

This year we have developed a series of powerful tools to help develop our people. We have looked at our company values and distilled them into five succinct and memorable themes. We call these our spirit, which we aspire to represent our company ethos. These are: act as if we own the business, think like a customer, be passionate and accountable, work together, and keep lifting our game.

We have also updated and improved our internal performance development system, which we use to benchmark and measure individual performance. This system is now well established, and has been so successful that other organisations are looking closely at how we do it. We have looked at tools to improve people management efficiency, such as a range of self-service HR tools for checking things like annual leave, and a new payroll system for delivering faster and more accurate payroll functionality.

Share scheme
This year we invited employees to participate in a share purchase plan to strengthen the link between their work performance, company performance and shareholder returns. We believe this scheme is in the best interests of Auckland Airport and our shareholders as a whole.

It is our strong view that a motivated and focused team of employees will drive our future financial success. The nature of the scheme, in which the shares do not vest until three years from the purchase date, during which the employee must remain with Auckland Airport, means that employees are not rewarded for past service, but rather they are incentivised for future performance.

Leadership team profile

Peter Alexander

General Manager Property

Peter is responsible for our investment property portfolio, including the management of existing assets, as well as driving new property developments. Peter joined us in 2008, and has over 20 years' experience in investment management including property investment and development in New Zealand and offshore.

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01 The Novotel Auckland Airport will deliver enormous economic and tourism benefits to Auckland
02 The hotel will feature stunning design by Warren and Mahoney
03 The new international departure experience will feature uniquely Kiwi themes
04 One of the latest additions to the airports food and beverage options is the Retro Espresso coffee van outside the international terminal

Sustainability

Auckland Airport continued to take a systematic approach to integrating sustainability into all parts of its business. Over the past 12 months, significant steps have been taken towards becoming a more socially responsible and sustainable business.

In our 2008 annual report, we outlined many of the steps taken in Auckland Airport's continuous journey. This ongoing journey has now been developed into a comprehensive sustainability policy and plan framework.

Our sustainability policy details 14 key areas of our business, which will be monitored within Auckland Airport to ensure sustainable business performance can be measured going forward. Auckland Airport's sustainability performance across all 14 key areas will be monitored using a simple system that highlights when targets have been achieved, are on track or need work. To ensure transparency, this system will be used both internally, through a quarterly report to the chief executive, and externally on the company website.

Auckland Airport maintained its inclusion in the FTSE4Good ethical trading index for the second year running and was recognised in the Goldman Sachs JBWere Climate Leaders Index (as a result of a comprehensive response to the Carbon Disclosure Project questionnaire). A strategic supplier review was undertaken as a first step in working with our supply chain on sustainability performance. Our purchasing policy and procedures will be reviewed and updated to reflect our approach to sustainability and to influence our supply chain partners.

For further information on Auckland Airport's sustainability performance, please see the social responsibility pages of our website at www.aucklandairport.co.nz

EECA Award

Auckland Airport's Travel Plan, Lift, this year won the Shell New Zealand Transport category of the 2009 Energy Efficiency and Conservation Authority (EECA) Awards. The award recognised the work of all the companies and individuals involved in the innovative airport travel plan and judges saw it as an excellent example of effective travel planning. Lift is a staff travel plan that now involves 23 companies across the airport community, and is designed to improve access to the workplace by identifying, facilitating and promoting travel choices. Lift includes formalised carpooling and a concerted effort to improve and promote bus services as an option for travelling to work.

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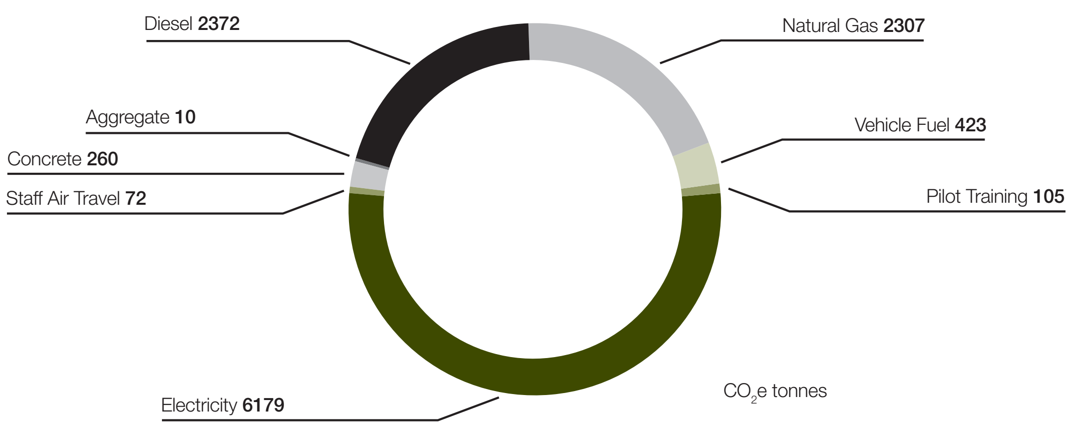
Sponsorships

Auckland Airport continued to give back this year through our community and corporate sponsorship programmes. Some of our key ongoing sponsorship partners included the National Burns Centre at Middlemore Hospital in Auckland, the Life Education Trust for South Auckland, the Life Flight Ambulance Service based at Auckland Airport, Mangere and Aorere Colleges, and the TelstraClear Pacific Events Centre.

We also supported a number of community and corporate events this year. These included the Tourism Rendezvous New Zealand (TRENZ) tourism trade event, held in Auckland this year, the Export New Zealand Cargo awards, Air New Zealand fashion week, Auckland Cup racing week, Louis Vuitton Pacific Series, the ASB Tennis tournament, the IPENZ awards, the Carbon Crusade, and the firefighter stair climb challenge at Sky Tower, which raised over $140,000 for leukaemia.

We have also continued supporting the Auckland Airport Community Trust, which has now contributed more than $1 million to the local community in the last five years, including $346,000 in the last financial year alone.

Auckland Airports Emissions Profile FY09



Leadership team profile

Charles Spillane

General Counsel and Corporate Secretary

Charles is our senior legal adviser and corporate secretary. Charles is also responsible for corporate communications, governance, government relations, share registry, risk management and insurance. Before joining us in 2002, Charles practiced law at Russell McVeagh. He is a Fellow of the Institute of Chartered Secretaries.

Looking ahead

We remain optimistic that as a business, we have prepared and invested sensibly to position ourselves well for the future. The long-term outlook for the company remains positive. We expect to see passenger volumes eventually return to long-term growth trends and the investment being made now into air services development and passenger experience will begin to bear fruit in terms of increased growth in volume and yield.

The board's membership did not change over the financial year. The board has, however, been working positively on the recruitment of new directors to ensure strong succession planning is in place and on 4 September appointed Sir Henry van der Heyden and James Miller as non-executive directors. These appointments will be put to shareholders for confirmation by way of election at the annual meeting.

In January 2009, Lloyd Morrison was granted a leave of absence from the board for health reasons. We are looking forward to welcoming Lloyd back to the board of Auckland Airport as soon as he can return.

The last six months of the financial year has seen the new leadership team growing in strength, and together committing to doing whatever they can to grow Auckland Airport during these turbulent times. A wider leadership group has also been formed within the company to strengthen our commitment to success, and to provide further development opportunities for a broader group of leaders.

The focus of the leadership team for next year will be on stimulating passenger volume, managing yield, assessing options for growth investment, continued efficient management of costs and capital expenditure, continued assistance on forging a clear and sensible regulatory pathway, and putting further effort into our commercial relationships with airlines.

Forecasting is difficult when global travel demand conditions are unstable and passenger volume growth remains uncertain. For the 2010 financial year we expect net profit after tax (excluding any fair value changes and other one-off items) to be in the range of $93 million to $100 million, and capital expenditure to be in the range of $60 million to $65 million, excluding yet-to-be committed property development.

As always, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property, and further deterioration due to global market conditions, or other unforeseeable circumstances. Auckland Airport remains a vital and active part of the New Zealand economic engine, making a vital contribution to tourism and trade by strengthening New Zealand's connections with the world and by providing one of the world's best tourism experiences. We intend to keep it that way, with our growth strategy aiming to ensure that Auckland Airport remains the single most important point of connectivity between New Zealand trade and tourism and the rest of the world.

Tony Frankham
Chairman (on behalf of the Board)

Simon Moutter
Chief executive

Leadership team profile

Simon Moutter Chief Executive

Simon is responsible for the overall leadership, strategic direction and executive management of Auckland Airport. Prior to joining us in 2008, Simon was chief operating officer at Telecom, managing most parts of the business at one time or another. This was preceded by 13 years in the electricity and gas industries.

01 Auckland Airport has strongly supported improvements to public transport to the airport

Board profiles

Anthony Frankham

Keith Turner
Richard Didsbury

Anthony Frankham

Director, Chairman, Chair – Takeovers Committee, Member – Audit and Risk, Remuneration and Nominations Committees

Tony 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. He is a former director of 14 listed companies, he was chairman of four of these. 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. Tony is a life member and past president of the New Zealand Institute of Chartered Accountants, and a former member of the Takeovers Panel, the Securities Commission and the Council of the International Federation of Accountants.

Keith Turner

Director, Deputy Chairman, Chair – Remuneration and Nominations Committees

Keith Turner was appointed a Director of the Company in 2004. He has 39 years' experience in the New Zealand electricity industry, the last 21 years of which have been spent in senior executive positions. He has undertaken widespread participation in reform of the industry, both in industry review teams and acting for the Government on a range of industry boards. In 1999 he took up the position of Chief Executive of Meridian Energy following the breakup of ECNZ, a role he retired from on 31 March 2008. He now holds a number of small and large board positions, and undertakes executive coaching and international consulting activities.

Richard Didsbury

Director, Member – Audit and Risk and Nominations Committees

Richard was appointed a director of the company in November 2007. He graduated in Engineering from The University of Auckland. He was a co-founder of the Kiwi Income Property Trust in 1992 which is now the largest property vehicle listed on the NZX, and he remains a director of that company. Within KIPT, he led the Sylvia Park project team which 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.

John Brabazon

Director, Member – Audit and Risk and Takeovers Committees

John Brabazon was appointed a director of the company in 2007, and is a member of the Audit & Risk Committee, and Takeovers Committee. He is an executive director of boutique Merchant Bankers DBB Capital Limited and has over 25 years experience in the capital markets, including eight years with Brierley Investments Limited. His other directorships include Kern River Oil Corporation in the United States and The New Zealand Wine Fund Limited. His former directorships include 13 years in aggregate spent on the board of six companies with total assets exceeding NZ$1.6 billion. He is a member of the New Zealand Institute of Chartered Accountants, an Accredited Director of the Institute of Directors in NZ Inc, and a Fellow of the Financial Services Institute of Australasia.

John Brabazon

Joan Withers

Sir Henry van der Heyden
James Miller

Joan Withers

Director, Chair – Audit and Risk Committee,
Member – Remuneration Committee

Joan was appointed a director of the company in 1997. She has spent over 25 years working in the media industry, holding CEO 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, New Zealands largest media company, a role from which she retired on 30 June 2009.

Sir Henry van der Heyden and James Miller

On 4 September 2009 Auckland Airport appointed Sir Henry van der Heyden and James Miller as non-executive directors of the company. Sir Henry is chairman of the board of Fonterra Co-operative Group Limited and a number of other companies. James Miller is a director of Vector Limited and is an executive director at Craigs Investment Partners Limited. Auckland Airport's directors consider Sir Henry and James Miller to be independent directors. These appointments will be put to shareholders for confirmation by way of election at the annual meeting to be held on 29 October 2009.

Lloyd Morrison

Director, Member – Audit and Risk and Nominations Committees

Lloyd was appointed a director of the company in November 2007. He 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 has been one of the NZX's top-performing companies since its formation, and 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 & Co which, in addition to Infratil, manages infrastructure investments for the New Zealand Superannuation Fund, chairman of Infratil Airports Europe and a director of TrustPower. In respect of airport companies, he has board experience with airport companies in New Zealand, Australia, USA, UK and Continental Europe.

Lloyd Morrison has been on medical leave of absence from the Board of Auckland Airport since January 2009.

Financial report 2009

Introduction

This section provides an overview of the financial results and key trends for the year ended 30 June 2009 compared with previous financial years. 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 for a full understanding of the basis on which the financial results are determined.

Results overview

	2009 $m	2008 $m	% change
Financial performance			
Revenue	369.244	351.030	5.2
Operating expenses	88.881	75.194	18.2
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	280.363	275.836	1.6
Cost relating to ownership proposals	-	(9.588)	-100.0
Investment property fair value (decreases)/increases	(64.586)	13.721	-570.7
Total earnings before interest, taxation and depreciation (Total EBITDA)	215.777	279.969	-22.9
Profit after taxation	41.725	112.959	-63.1
Earnings per share			
cents per share	3.41	9.24	-63.1
Ordinary dividends			
cents per share	8.20	8.20	-
amount	100.449	100.213	0.2
Financial position			
Shareholders' equity	1,841.147	1,896.633	-2.9
Total assets	3,088.149	3,092.907	-0.2
Capital expenditure	87.593	142.930	-38.7

The operating performance of the company in 2009 was pleasing in a challenging economic environment. The financial result highlights growth across most revenue lines flowing through to an increase in Operating EBITDA.

The operating expenses for the 2009 financial year were $88.881 million, an increase of 18.2 percent from the 2008 year.

The increase in operating expenses is largely attributable to an increase in staff costs of $9.444 million. This is primarily due to the inclusion of $4.195 million costs for restructuring and the transition from the former management team. This reflects a reconfiguration of the business, reductions in permanent staff levels and a change in structure, consistent with the change in focus on the future needs of the business. In addition, the previous year had a reduction in staff costs due to a $4.747 million credit to the provision for long-term incentive plans. Underlying staff costs, adjusted for these factors, were higher than for the prior year by $0.502 million, a 1.7 percent increase.

The company 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 2009 financial result shows a decrease in the valuation of the company's investment property portfolio of $64.586 million, compared with an increase in valuation of $13.721 million for 2008. This non-cash adjustment results in the reported net profit after tax for 2009 being considerably less than it was in 2008.

The fair value of investment property for each reporting period is determined by the company's independent valuer at the request of the directors. The decrease in valuation is due to an increase in the average market capitalisation rate on leased properties and a decrease in market comparisons for undeveloped land. The valuation impact of each component is $16.011 million and $48.575 million respectively. As movements in investment properties are non-cash adjustments, they will not affect dividends to shareholders.

The profit after tax for the 2009 financial year was $41.725 million. The 2008 financial year profit after tax was $112.959 million. If the 2009 financial year is adjusted for the effect of the revaluation of investment property, and the costs of restructuring, the profit after tax would be $105.891 million. If the 2008 financial year is also adjusted for the effect of that year's revaluation of investment property, cost of ownership proposals and the impact of the long-term incentive provision reversal, the 2008 profit after tax would be $103.728 million.

Accordingly, after adjusting for one-off items and the change in fair value of the company's investment properties, underlying net profit after tax increased 2.1 percent in 2009.

Ordinary dividends per share were 8.20 cents, equivalent to the 2008 year.

The company began to wind down its current capital expenditure programme during the 2009 year, reducing investment to $87.593 million in a range of airfield, terminal, retail and property projects from $142.930 million in the 2008 year. These included the completion of Pier B of the international terminal, the opening of the new 'Park & Ride' off-terminal parking offering, ongoing work on the northern runway and the commencement of the first-floor redevelopment at the international terminal.

Total assets as at 30 June 2009 decreased $4.758 million to $3,088.149 million, mostly reflecting the new capital expenditure net of depreciation on existing assets and the investment property revaluation decrease. Shareholders' equity decreased to $1,841.147 million, principally as a result of the negative investment property revaluation.

A summary of the company's financial results and key statistics is set out under 'Five-year summary' on page 68.

Passenger and aircraft statistics

	2009	2008	% change
Passenger movements			
International arrivals	3,193,443	3,265,383	-2.2
International departures	3,200,144	3,267,902	-2.1
Transits and transfers	966,024	929,398	3.9
Total international passengers	7,359,611	7,462,683	-1.4
Total domestic passengers	5,653,306	5,740,089	-1.5
Total passenger movements	13,012,917	13,202,772	-1.4
Aircraft movements			
International aircraft movements	40,756	39,053	4.4
Domestic aircraft movements	116,025	120,574	-3.8
Total aircraft movements	156,781	159,627	-1.8
Cargo tonnage			
International freight and mail	169,964	191,301	-11.2
Domestic freight and mail	27,564	29,698	-7.2
Total freight and mail	197,528	220,999	-10.6
MCTOW (maximum certificated take-off weight)			
International MCTOW	4,075,946	4,120,430	-1.1
Domestic MCTOW	1,774,079	1,816,370	-2.3
Total MCTOW	5,850,025	5,936,800	-1.5

In the 2009 year, total passenger movements were 13,012,917, a decrease of 1.4 percent over the 2008 year. International passenger movements declined by 1.4 percent as a result of the impact on ticket prices of high fuel costs early in the year, followed by the slump in long-haul travel as global economic conditions affected passenger demand. In recent months, pandemic concerns also had an impact. Domestic passenger movements declined by 1.5 percent, due to the impact of the economic environment, reduced Qantas domestic services from December 2008 and a reduction in domestic aircraft movements.

Total aircraft movements were 156,781, a decrease of 1.8 percent from 2008. International aircraft movements increased by 4.4 percent, while domestic aircraft movements decreased by 3.8 percent.

Auckland Airport cargo tonnage during 2009 was 197,528 tonnes, a decrease of 10.6 percent over 2008.

The total MCTOW (maximum certificated take-off weight) was 5,850,025 tonnes, a decrease of 1.5 percent over 2008, which is in line with the passenger volume decline. The company's airfield income is determined from the MCTOW of aircraft landing at Auckland Airport.

Total international MCTOW decreased by 1.1 percent principally as a result of reductions in services and down gauging of aircraft by Air New Zealand, Qantas and Thai Airways as well as reductions in dedicated cargo airline activity. This was partially offset by increased offerings by Emirates (A-380), Pacific Blue (new trans-Tasman service), Cathay Pacific and Royal Brunei.

Total domestic MCTOW decreased by 2.3 percent following down-gauging and reductions in service by Air New Zealand and by Qantas. This was offset by a full year's impact of commencement of services by Pacific Blue and the replacement of Qantas by Jetstar on domestic routes in June 2009.

Passengers arriving at Auckland by country

	2009		2008		change
	Arrivals	%	Arrivals	%	%
Country of last permanent residence					
New Zealand	1,466,236	46.1	1,500,932	46.1	-2.3
Australia	575,249	18.1	536,864	16.5	7.1
United Kingdom	225,786	7.1	249,744	7.7	-9.6
United States of America	153,230	4.8	172,225	5.3	-11.0
People's Republic of China	104,721	3.3	117,528	3.6	-10.9
Japan	62,174	2.0	75,236	2.3	-17.4
Korea	49,272	1.6	67,743	2.1	-27.3
Germany	49,189	1.6	45,797	1.4	7.4
Canada	41,705	1.3	44,323	1.4	-5.9
Fiji	26,851	0.8	21,859	0.7	22.8
India	25,308	0.8	22,448	0.7	12.7
South Africa	20,922	0.7	21,434	0.6	-2.4
Samoa	20,495	0.6	19,705	0.6	4.0
Hong Kong (Special Administrative Region)	20,302	0.6	20,390	0.6	-0.4
Netherlands	20,190	0.6	21,396	0.6	-5.6
Other	319,055	10.0	320,291	9.8	-0.4
Total	3,180,685	100.0	3,257,915	100.0	-2.4

New Zealanders and Australians, based on country of last permanent residence, collectively made up 64.2 percent of international passenger arrivals at Auckland Airport, an increase from 62.6 percent over the prior year. The trans-Tasman sector provides the company with a solid base of passenger movements. The increase in Australian arrivals reflects increased seat capacity, marketing campaigns and a lower average value of the New Zealand dollar against the Australian dollar.

Strong international passenger growth came from Germany (7.4 percent), Fiji (22.8 percent), and India (12.7 percent). The growth in these markets principally reflects shifts in holiday destination preferences and tourism marketing campaigns, as well as growth in the developing economy of India.

These increases were, however, offset by declines from the traditional markets such as China, Japan and Korea, which have been affected by reductions in flight capacity, the relative strength of the New Zealand dollar and the swine flu outbreak since April 2009.

Declines have also been experienced from the United Kingdom and United States of America. Travel volumes from these markets reflect the slowdown in these economies and also the cost of long-haul travel when fuel prices were very high.

The outlook for passenger volumes in the 2010 financial year is difficult to predict. Our base expectation prior to any impact of Auckland Airport initiatives is for international passenger numbers to decline by around 3 percent reflecting the continued slowdown in world economies.

Overseas visitor arrivals by purpose of visit

Purpose of visit	2009	2008	% change	% of total
Business/Conference	228,527	240,092	-4.8	12.6
Holiday/Vacation	759,405	772,297	-1.7	41.9
Education/Medical	45,540	42,195	7.9	2.5
Visit friends/relatives	575,129	523,421	9.9	31.8
Other	202,473	124,451	62.7	11.2

Source: Statistics New Zealand
The largest categories by purpose of visit remain holidays (41.9 percent) and visiting friends and relatives (31.8 percent).

Financial performance

Revenue

	2009 $m	2008 $m	% change
Aeronautical revenue			
Airfield	70.458	70.129	0.5
Passenger services charge	66.542	66.952	-0.6
Terminal services charge	27.470	22.897	20.0
	164.470	159.978	2.8
Non-aeronautical revenue			
Retail	105.316	98.427	7.0
Property rentals	47.975	45.172	6.2
Car parks	29.377	29.252	0.4
Interest	2.611	0.563	363.8
Utilities and general	18.546	16.587	11.8
Associated company	0.949	1.051	-9.7
	204.774	191.052	7.2
Total revenue	369.244	351.030	5.2

Airfield

As noted above, airfield landing charges are based on the MCTOW of aircraft. In the 2009 financial year, airfield income was $70.458 million, an increase of $0.329 million (0.5 percent) over 2008. This small increase was primarily due to a 2.5 percent increase in MCTOW landing charges from 2008, offset by a 1.5 percent decrease in total MCTOW volumes.

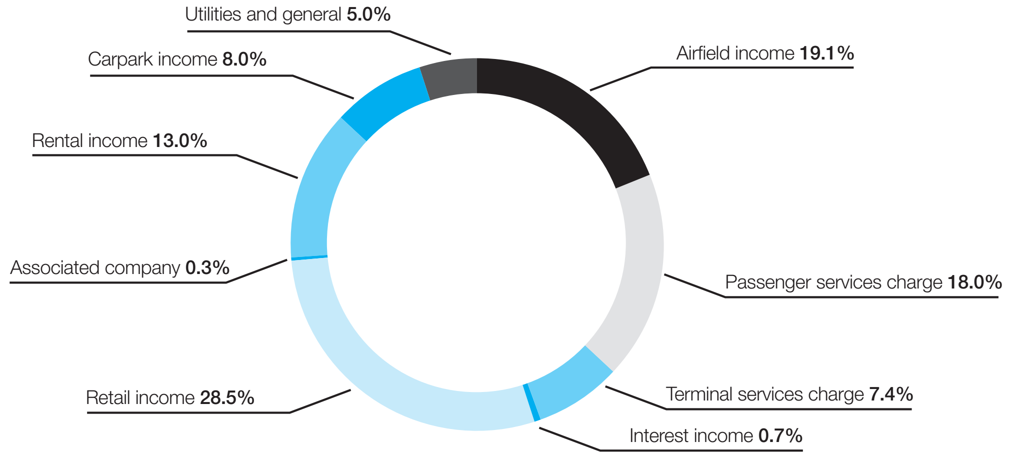
Passenger services charge

The passenger services charge (PSC) is levied on international passengers 12 years old and over and provides part of the company's return on its aeronautical assets. 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 PSC levy for the 2009 period was $13.00, including GST, for both departing and arriving travellers.

The change in the method of collecting the PSC brought Auckland Airport into line with common practice at other international airports around the world and has improved the facilitation process for departing passengers.

Income from the PSC was $66.542 million, a decrease of $0.410 million (0.6 percent) over the previous year. The decrease in the PSC revenue was driven by a decrease in international passenger movements of 2.2 percent offset by an increase in the PSC charge. The PSC changed from $25.00, including GST for each eligible departing passenger to $13.00, including GST, for each eligible departing and arriving passenger.

Revenue by source



Terminal services charge

The terminal services charge (TSC) reflects a rental for space as well as capital and cost recoveries from the airlines for international terminal operational areas, and is based on an agreed formula applied each year. In the 2009 financial year, the TSC was $27.470 million, an increase of $4.573 million (20.0 percent) over 2008. This primarily resulted from an increase in the applicable space in the international terminal, especially following the opening of Pier B from October 2008.

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 2009 financial year, retail income was $105.316 million, an increase of $6.889 million (7.0 percent) over 2008.

Retail income per international passenger (including transits and transfers) was $14.31 in the 2009 year, compared with $13.19 in the previous year. The increase primarily reflects higher revenue from duty free operator DFS in circumstances where DFS, as the proposed sole duty free operator, had the ability to secure the trading benefits of scale and range of products available through that model.

The renegotiation with DFS to efficiently secure space for a second operator was completed this year in a completely different economic outlook to when the initial agreement was set. While the outcome did not affect revenues in the 2009 financial year, the revenues for 2010 will be lower. This, combined with the potential impact on trading from the disruption caused by construction work in the departures area, has resulted in market guidance for retail revenue in 2010 to be in the range of $90 - $93 million.

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 $47.975 million in 2009, an increase of $2.803 million (6.2 percent) over 2008. 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 2009 valuation was a decrease in value of the investment portfolio of $64.586 million, primarily as a result of a reduction in the market value of the undeveloped land portfolio. The decline in the value of investment property in 2009 is a non-cash adjustment and compares to valuation increase in 2008 and 2007 of $13.721 million and $140.160 million respectively.

Operating expenses

	2009 $m	2008 $m	% change
Staff	34.337	24.893	37.9
Repairs and maintenance	30.158	25.717	17.3
Rates and insurance	6.845	7.389	-7.4
Other	17.541	17.195	2.0
Total operating expenses	88.881	75.194	18.2

Car parks
At 30 June 2009, the company had parking facilities for 8,188 cars, compared with 7,967 parks at 30 June 2008. During the year, some parking spaces were removed due to the re-configuration of the forecourt roads at the international terminal, plus the expansion of existing rental car facilities. The overall net increase in parking capacity was achieved due to the creation of the 'Park & Ride' car park, which has initially added 650 new bays. Revenue from car parks was $29.377 million, an increase of $0.125 million (0.4 percent).

In an increasingly competitive parking environment, the 'Park & Ride' facility has exceeded expectations in its first six months of operation and has proven to be a popular addition to the existing car parks at the terminals.

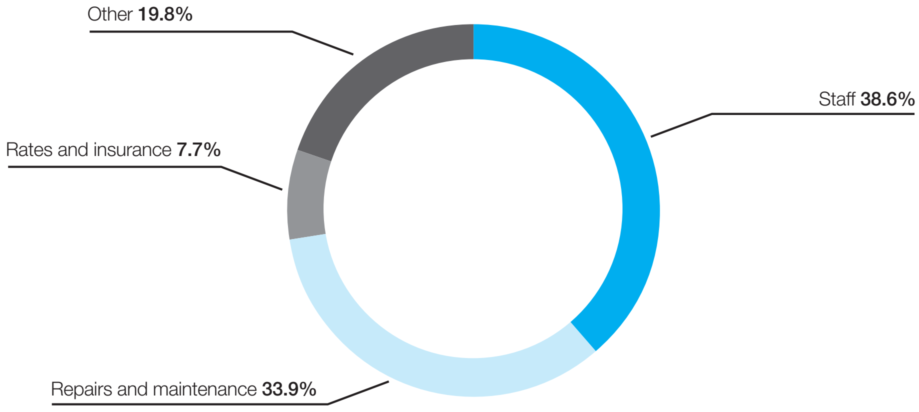
Utilities and general
This category includes utilities (sale of electricity, gas and water), rates recoveries from tenants, transport licence fees, and other miscellaneous revenue items. Total income from these sources was $18.546 million, an increase of $1.959 million (11.8 percent) over the previous year, and largely resulted from increases in telecommunication network revenues and higher transport licence fees for a new licence period.

Associated company
The company partners with the United States-based international food and beverage operator, HMS Host Inc, in a joint venture to operate food and beverage services at the international terminal. The company's share of the surplus after tax was $0.949 million, a decrease of 9.7 percent over the previous year. This reflects the adverse impact of trading during the construction work for the redevelopment of the landside food and beverage area within the first floor of the international terminal.

Operating expenses
Total operating expenses were $88.881 million, an increase of $13.687 million (18.2 percent) over the 2008 year.

Staff costs are higher than the prior year by $9.444 million. The previous year had a reduction in staff costs of $4.747 million caused by the lowering of the provision for long-term incentive plans. In addition, 2009 costs were impacted by $4.195 million for restructuring and the transition from the former management team. This reflects a reconfiguration of the business, reductions in permanent staff levels and a change in organisation structure, consistent with the change in business strategy.

Operating expenses by category



Repairs and maintenance costs grew because of higher wastewater charges during the period (which were previously included with rates costs), increased electricity and cleaning costs associated with additional space from completed developments (e.g. Pier B of the international terminal from October 2008).

The increase in other costs resulted primarily from greater consultancy costs related to an ongoing process by the Commerce Commission to develop a new regulatory framework for airports, higher route development marketing expenses, and a write-off of a bad debt from a property rental customer.

Operating EBITDA and Operating EBITDA margin
Operating EBITDA was $280.363 million, an increase of $4.527 million (1.6 percent) over 2008. The Operating EBITDA margin was 75.9 percent, a decrease from the 2008 margin of 78.6 percent. Excluding the restructuring costs in 2009 and the credit to the long-term incentive provision in 2008, the Operating EBITDA margin was 77.1 percent, compared to 77.2 percent in the previous year.

Depreciation, interest and taxation
Depreciation and impairment expenses were $54.766 million, an increase of $7.793 million (16.6 percent) over the previous year. This mainly resulted from the company's continuing capital expenditure programme over the year and the completion of Pier B in the international terminal and the full-year impact of the completion of the expanded arrivals project.

The annual interest charge was $75.590 million, an increase of $3.042 million (4.2 percent) over 2008. The average interest rate was 7.52 percent for the 2009 year, compared with 8.18 percent in the 2008 year. Total borrowings were $1,076.705 million at year-end, compared with $1,042.520 million as at the 2008 year-end. The increase in borrowings is offset by cash holdings at year-end of $34.320 million.

Taxation expense was $43.696 million, a decrease of $3.793 million (8.0 percent) over the previous year.

Profit after taxation
Profit after taxation was $41.725 million, a decrease of $71.234 million (63.1 percent) over 2008. After adjusting for one-off items and the change in fair value of the company's investment properties, underlying net profit after tax was $105.891 million, an increase of 2.1 percent on the previous year. Earnings per share were 3.41 cents per share in 2009, compared with 9.24 in 2008. These figures include the changes in fair value of the company's investment properties and one-off items.

Dividends

Total ordinary dividends for the 2009 financial year will amount to 8.20 cents per share (equivalent to last year) or $100.449 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 94.9 percent, compared with 96.6 percent last year.

The formal dividend payout policy remains at 90 percent (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 final dividend of 4.45 cents per share will be paid on 23 October 2009 to shareholders on the register at the close of business on 16 October 2009. 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.

Cash flow

	2009 $m	2008 $m	% change
For the year ended 30 June			
Net cash flow from operating activities	170.078	134.328	26.6
Net cash flow from investing activities	(93.338)	(146.083)	-36.1
Net cash flow from financing activities	(43.113)	10.854	-497.2
Net (decrease)/increase in cash held	33.627	(0.901)	3,832.2

Financial position

	2009 $m	2008 $m	% change
As at 30 June			
Non-current assets	3,027.147	3,060.008	-1.1
Current assets	61.002	32.899	85.4
Total assets	3,088.149	3,092.907	-0.2
Non-current liabilities	924.726	845.838	9.3
Current liabilities	322.276	350.436	-8.0
Equity	1,841.147	1,896.633	-2.9
Total equity and liabilities	3,088.149	3,092.907	-0.2

Net cash flow from operating activities was $170.078 million, an increase of $35.750 million (26.6 percent) over 2008. This was mainly the result of increases in the company's principal revenue lines, income tax refunds including use of money interest, and a reduction in payments to suppliers and employees primarily due to higher long-term incentive payments in 2008. These cash inflows were offset by higher interest paid in 2009.

Net cash outflow from investing activities was $93.338 million, a decrease of $52.745 million (36.1 percent) over 2008, reflecting the lower capital expenditure.

Net cash outflow from financing activities was $43.113 million, a decrease of $53.967 million (497.2 percent), and mainly resulted from an increase in borrowings which grew the cash balance.

As at 30 June 2009, total assets amounted to $3,088.149 million, a decrease of $4.758 million (0.2 percent) over the previous year. The decrease was primarily due to the investment property revaluation.

Shareholders' equity was $1,841.147 million, a decrease of $55.486 million (2.9 percent) over 2008. The decrease resulted from the impact of investment property revaluations and fair value changes of interest rate swaps recorded in the cash flow hedge reserve.

Gearing (measured as debt to debt plus shareholders' equity) increased to 36.9 percent, as at 30 June 2009, from 35.5 percent, as at 30 June 2008. This increase in the gearing ratio is principally as a result of the negative impact of investment property valuations for the year reducing shareholder equity by $64.586 million and the increase in debt borrowings. Based on the recent movements in the market value of the company's equity, the gearing (on a debt to enterprise value basis) is 35.3 percent. Details of the company's borrowings are set out below under Financing.

Capital structure and credit rating
In May 2009, Standard & Poor's (S&P) lowered Auckland Airport's long-term credit rating by one notch from 'A' to 'A-' (A minus). Since May 2008, the credit rating had been on negative outlook; the outlook at the lower rating is now stable. The company's short-term rating has been lowered one notch as well, from 'A1' to 'A2'. The rating downgrade reflected the earlier S&P Australasian airport industry review in May 2009 which had noted the global economic downturn was starting to hit those Australian and New Zealand airports rated by S&P. An A- rating by S&P reflects the strength of Auckland Airport and its ability to meet its financial commitments.

The directors are committed to retaining the company's strong credit rating and balance sheet position. Despite the re-rating, the company still has the highest rating (equal with Melbourne) of all Australasian airports, and continues to rate ahead of Sydney, Brisbane, Christchurch and Wellington. The balance sheet is being prudently managed in the current challenging business environment.

Capital expenditure
The company invested $87.593 million (2008 $142.930 million) during the year, including capitalised interest, in a range of projects to increase capacity and upgrade facilities.

Investment of $36.592 million was made in the international terminal, mainly comprising the first-floor departure redevelopment and Pier B.

The company currently expects to invest approximately $60 million to $65 million in the 2010 financial year on a range of projects set out in the table below. The most significant capital expenditure investment in 2010 is the first-floor departures area at the international terminal. It also includes committed property development projects but excludes potential property development projects yet to be won and the investment in the joint venture for an airport hotel. The 2010 capital expenditure includes only a small investment in the northern runway after the decision to postpone the summer work programme by one year.

Category	2010 $m
Airfield	9.8
International terminal:	32.4
First-floor departures	27.2
Other projects	5.2
Domestic terminal	1.3
Carparking	1.4
Infrastructure and other	5.6
Property development	13.2
Total	63.7

Capital expenditure

Category	2009 $m	Key projects
Airfield	18.431	Northern runway development and aircraft apron pavements
International terminal	36.592	First-floor redevelopment, Pier B, toilet facilities in Pier A, terminal forecourt roading improvements
Domestic terminal	2.456	Domestic terminal upgrade at the western end
Carparking	11.794	Park & Ride facilities and the international terminal car park improvements
Infrastructure and other	9.497	Electrical network intake centre expansion
Property development	8.823	North Airport development, International Logistics Centre, Spazio Casa and other investment property
Total	87.593	

Financing
As at 30 June 2009, the company's total borrowings were $1,076.705 million, an increase of $34.185 million (3.3 percent) over the previous year. Short-term borrowings with a maturity of one year or less accounted for $272.998 million (2008: $300.793 million), 25.4 percent of this amount. The balance of $803.707 million (74.6 percent) comprised senior bonds, bank facilities and other instruments with maturities from one to eight years.

The company has 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 2009, $250.000 million was drawn down on this facility, with the remaining $100.000 million being committed but un-drawn.

As at 30 June 2009, the company held a dual tranche standby facility with a syndicate of banks for $200.000 million. The first tranche is for $100.000 million and notice was provided to the banking syndicate to cancel this tranche of the facility on 24 August 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 2009, no amounts were drawn down.

During October and November 2008, the company raised $130.000 million through a retail bond issue. The bonds are unsecured, unsubordinated and pay interest at a fixed rate of 8.0% with a maturity of 15 November 2016. During January and February 2009, the company raised a further $50.000 million through a follow-up retail bond issue. The bonds are unsecured, unsubordinated and pay interest at a fixed rate of 7.25 percent with a maturity of 20 February 2014.

The company's borrowings include commercial paper totalling $72.824 million, bank facilities totalling $520.000 million and floating and fixed rate bonds totalling $483.881 million as at 30 June 2009. 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, maintain appropriate levels of liquidity through committed but un-drawn 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 continues to be comfortably within the debt covenants associated with all of its financing programmes.

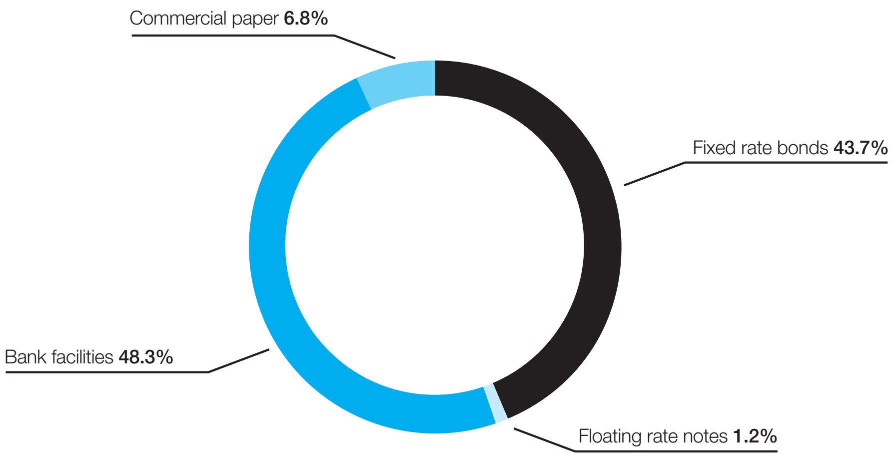
The company has no material direct foreign currency exposure as almost all of its transactions are in New Zealand dollars.

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 opposite page. Note that these indicators are adjusted for changes in fair value of investment properties and one-off items such as restructuring costs, changes in the long-term incentive provision and ownership costs to reflect the underlying performance.

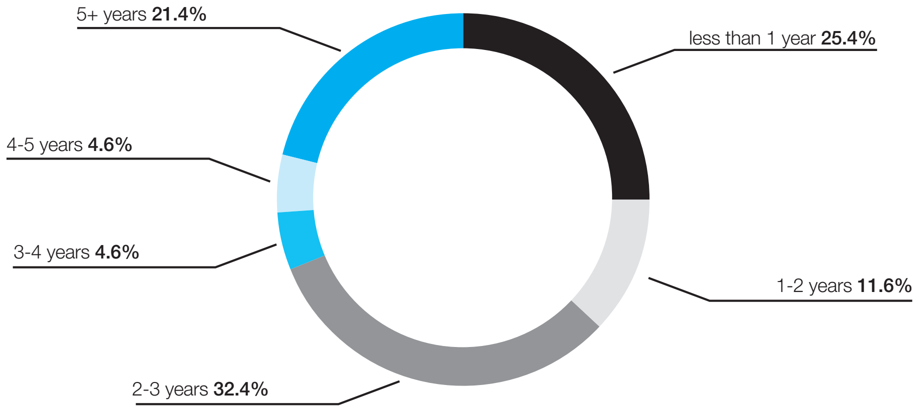
The company has continued to demonstrate improving operating efficiencies, which is highlighted in an increase in operating revenue per passenger.

The company's gearing and interest coverage ratios have remained relatively constant over the year.

Borrowings by category



Borrowings by maturity profile



Key performance indicators

	2009	2008	% change
Financial performance			
Underlying operating EBITDA margin	77.1%	77.2%	-0.1
Underlying after-tax return on capital employed	5.7%	5.4%	+4.5
Underlying earnings per share (cps)	8.65	8.49	+1.9
Financial position and gearing			
Debt/Debt + equity	36.9%	35.5%	+4.0
Debt/Underlying EBITDA	3.72	3.59	+3.6
Underlying EBITDA interest cover	3.58	3.42	+4.7
Operating efficiencies			
Passengers per operating staff	42,786	43,281	-1.1
Operating revenue per operating staff	$1,176,589	$1,167,648	+0.8
Operating revenue per passenger	$28.38	$26.59	+6.7
Total retail revenue per international passenger	$14.31	$13.19	+8.5
Car park revenue per passenger	$2.44	$2.38	+2.5
Underlying operating staff costs/operating revenue	8.2%	8.4%	-3.2

Five-year summary

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

	2009	2008	2007	2006	2005
For the year ended 30 June					
Revenue ($m)	369.244	351.030	321.946	305.814	282.725
Operating earnings before interest, taxation, depreciation and amortisation ($m)	280.363	275.836	242.716	240.161	221.518
Profit after taxation ($m)[1]	41.725	112.959	230.864	103.155	105.641
Passenger movements	13,012,917	13,202,772	12,355,191	12,066,177	11,256,077
Aircraft movements	156,781	159,627	155,875	160,899	158,452
Maximum certificated take-off weight of an aircraft (tonnes)	5,850,025	5,936,800	5,747,134	5,826,503	5,727,574
Cargo tonnage (tonnes)	197,528	220,999	224,515	232,655	229,348
(Source: Statistics New Zealand)					
Earnings per share (cents)	3.41	9.24	18.91	8.44	8.65
Ordinary dividends per share (cents)[2]	8.20	8.20	8.20	8.20	8.20

Simon Moutter
Chief executive

Simon Robertson
Chief financial officer

28 August 2009

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

[2] Note that this does not include special dividends/capital distribution.

Financial information

Contents

Income statement

For the year ended 30 June 2009

	Notes	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Operating revenue					
Airfield income		70,458	70,129	70,458	70,129
Passenger services charge		66,542	66,952	66,542	66,952
Terminal services charge		27,470	22,897	27,470	22,897
Retail income		105,316	98,427	105,316	98,427
Rental income		47,975	45,172	47,975	45,172
Rates recoveries		3,210	3,132	3,210	3,132
Car park income		29,377	29,252	29,377	29,252
Interest income		2,611	563	2,611	544
Share of profit of an associate	6	949	1,051	949	1,051
Other revenue		15,336	13,455	15,354	13,837
Total operating revenue		369,244	351,030	369,262	351,393
Operating expenses					
Staff	4	34,337	24,893	34,337	24,893
Repairs and maintenance		30,158	25,717	30,158	25,717
Rates and insurance		6,845	7,389	6,845	7,389
Other		17,541	17,195	17,541	17,190
Total operating expenses	4	88,881	75,194	88,881	75,189
Operating earnings before interest, taxation and depreciation (Operating EBITDA)		280,363	275,836	280,381	276,204
Investment property fair value (decreases)/increases	10	(64,586)	13,721	(64,586)	13,721
Costs relating to ownership proposals		-	(9,588)	-	(9,588)
Total earnings before interest, taxation and depreciation (Total EBITDA)		215,777	279,969	215,795	280,337
Depreciation	9	54,766	46,973	54,766	46,973
Earnings before interest and taxation (EBIT)		161,011	232,996	161,029	233,364
Interest expense and other finance costs	4	75,590	72,548	75,590	72,548
Profit before taxation		85,421	160,448	85,439	160,816
Taxation expense	5	43,696	47,489	43,696	47,496
Profit after taxation		41,725	112,959	41,743	113,320
		Cents	Cents		
Earnings per share:					
Basic and diluted earnings per share	8	3.41	9.24		

The notes and accounting policies on pages 38 to 66 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 2009

	Notes	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Movement in cash flow hedge reserve:					
Gain/(loss) taken to equity	14	(30,230)	(2,467)	(30,230)	(2,467)
Transferred to income statement	14	(5,683)	(5,489)	(5,683)	(5,489)
Movement in deferred tax taken directly to equity	5	10,146	58	10,146	58
Net income recognised directly in equity		(25,767)	(7,898)	(25,767)	(7,898)
Profit after taxation		41,725	112,959	41,743	113,320
Total recognised income and expense		15,958	105,061	15,976	105,422
Increase in issued and paid-up capital	13	4,473	1,208	4,906	1,208
Ordinary dividends paid	7	(75,917)	(124,632)	(75,926)	(124,646)
Movement in share-based payment reserve	14	-	31	-	31
Changes in equity for the period		(55,486)	(18,332)	(55,044)	(17,985)
Equity at beginning of period		1,896,633	1,914,965	1,896,585	1,914,570
Equity at end of period		1,841,147	1,896,633	1,841,541	1,896,585

The notes and accounting policies on pages 38 to 66 form part of and are to be read in conjunction with these financial statements

Balance sheet

As at 30 June 2009

	Notes	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Non-current assets					
Property, plant and equipment	9	2,547,609	2,523,019	2,547,609	2,523,019
Investment properties	10	467,537	524,280	467,537	524,280
Investment in associate	6	5,892	4,943	5,892	4,943
Derivative financial instruments	17	5,334	6,991	5,334	6,991
Other non-current assets		775	775	775	775
		3,027,147	3,060,008	3,027,147	3,060,008
Current assets					
Cash	11	34,320	693	34,320	693
Inventories		130	178	130	178
Prepayments		3,309	3,220	3,309	3,220
Accounts receivable	12	17,321	14,789	17,720	14,789
Taxation receivable		4,239	13,727	4,239	13,709
Derivative financial instruments	17	1,683	292	1,683	292
		61,002	32,899	61,401	32,881
Total assets		3,088,149	3,092,907	3,088,548	3,092,889
Shareholders' equity					
Issued and paid-up capital	13	174,738	170,265	175,308	170,402
Cancelled share reserve	14	(161,304)	(161,304)	(161,304)	(161,304)
Retained earnings	14	220,251	251,786	220,075	251,601
Property, plant and equipment revaluation reserve	14	1,628,783	1,630,815	1,628,783	1,630,815
Share-based payments reserve	14	895	895	895	895
Cash flow hedge reserve	14	(22,216)	4,176	(22,216)	4,176
		1,841,147	1,896,633	1,841,541	1,896,585
Non-current liabilities					
Term borrowings	16	803,707	741,727	803,707	741,727
Derivative financial instruments	17	29,279	3,758	29,279	3,758
Deferred tax liability	5	91,302	99,923	91,307	99,928
Other term liabilities		438	430	438	430
		924,726	845,838	924,731	845,843
Current liabilities					
Accounts payable and accruals	15	42,753	45,730	42,753	45,755
Derivative financial instruments	17	5,020	748	5,020	748
Short-term borrowings	16	272,998	300,793	272,998	300,793
Provisions	23	1,505	3,165	1,505	3,165
		322,276	350,436	322,276	350,461
Total equity and liabilities		3,088,149	3,092,907	3,088,548	3,092,889

These financial statements were approved and adopted by the board on 28 August 2009.
Signed on behalf of the board by:

Anthony Frankham
Director, chairman of the board

Joan Withers
Director, chair of the audit and risk committee

The notes and accounting policies on pages 38 to 66 form part of and are to be read in conjunction with these financial statements.

Cash flow statement

For the year ended 30 June 2009

	Notes	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers		363,501	345,973	363,545	345,982
Income tax refunded		11,621	-	11,603	-
Interest received		2,611	563	2,611	544
		377,733	346,536	377,759	346,526
Cash was applied to:					
Payments to suppliers and employees		(87,715)	(95,980)	(87,740)	(95,949)
Income tax paid		(44,304)	(46,416)	(44,304)	(46,844)
Other taxes paid		(344)	(328)	(344)	(329)
Interest paid		(75,292)	(69,484)	(75,292)	(69,484)
		(207,655)	(212,208)	(207,680)	(212,606)
Net cash flow from operating activities	18	170,078	134,328	170,079	133,920
Cash flow from investing activities					
Cash was provided from:					
Proceeds from Waste Resources Limited		-	-	-	959
Proceeds from sale of assets		371	62	371	62
		371	62	371	1,021
Cash was applied to:					
Purchase of property, plant and equipment		(82,517)	(135,964)	(82,517)	(135,964)
Interest paid – capitalised		(3,889)	(6,831)	(3,889)	(6,831)
Expenditure on investment properties		(7,303)	(3,350)	(7,303)	(3,350)
		(93,709)	(146,145)	(93,709)	(146,145)
Net cash applied to investing activities		(93,338)	(146,083)	(93,338)	(145,124)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	13	4,473	1,208	4,481	1,208
Increase in borrowings		3,383,955	3,959,573	3,383,955	3,959,573
		3,388,428	3,960,781	3,388,436	3,960,781
Cash was applied to:					
Decrease in borrowings		(3,355,624)	(3,825,295)	(3,355,624)	(3,825,295)
Dividends paid	14	(75,917)	(124,632)	(75,926)	(124,646)
		(3,431,541)	(3,949,927)	(3,431,550)	(3,949,941)
Net cash flow applied to financing activities		(43,113)	10,854	(43,114)	10,840
Net increase/(decrease) in cash held		33,627	(901)	33,627	(364)
Opening cash brought forward		693	1,594	693	1,057
Ending cash carried forward	11	34,320	693	34,320	693

The notes and accounting policies on pages 38 to 66 form part of and are to be read in conjunction with these financial statements.

Notes and accounting policies

For the year ended 30 June 2009

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

These financial statements were authorised for issue in accordance with a resolution of the directors on 28 August 2009.

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).

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

Investments in subsidiaries are recorded at cost in the company's financial statements.

(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 than those of segments operating in other economic environments.

(e) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of the company 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:

Notes and accounting policies

continued
For the year ended 30 June 2009

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 variances 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.

Notes and accounting policies

continued

For the year ended 30 June 2009

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

Revaluations

Revaluation increments, 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, are 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

Notes and accounting policies

continued
For the year ended 30 June 2009

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) 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, 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.

Dividend income
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

Notes and accounting policies

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For the year ended 30 June 2009

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 (GST)
Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating activities.

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

(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 reacquires its own shares, those treasury shares are deducted from equity and no gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of those shares. Any consideration or transaction costs paid or received is 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 in relation to dilutive potential ordinary shares.

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.

Notes and accounting policies

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For the year ended 30 June 2009

4. Expenses

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Staff expenses comprise:				
Salaries and wages	24,321	21,944	24,321	21,944
Other employee benefits	2,208	3,333	2,208	3,333
Share-based payments (refer note 25)	421	(4,716)	421	(4,716)
Defined contribution superannuation	592	637	592	637
Restructuring costs	4,195	-	4,195	-
Other staff costs	2,600	3,695	2,600	3,695
	34,337	24,893	34,337	24,893
Other expenses include:				
Audit fees	189	160	189	160
Auditor's other attestation fees	68	164	68	164
Auditor's tax compliance fees	114	184	114	184
Directors' fees	753	828	753	828
Donations	11	10	11	10
Bad and doubtful debts written off	930	-	930	-
Doubtful debts – change in provision	(135)	360	(135)	360
Loss on disposal of property, plant and equipment	971	352	971	352
Finance costs comprise:				
Interest on borrowings	79,479	79,379	79,479	79,379
Interest capitalised	(3,889)	(6,831)	(3,889)	(6,831)
	75,590	72,548	75,590	72,548
Capitalisation rate for capitalised borrowing costs	7.52%	8.18%	7.52%	8.18%

5. Taxation

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
(a) Income tax				
The major components of income tax expense are:				
Current income tax				
Current income tax charge	44,288	44,304	44,288	44,310
Income tax over-provided in prior year	(2,117)	(1,437)	(2,117)	(1,431)
Deferred income tax				
Movement in deferred tax	1,525	5,015	1,525	5,010
Reduction in corporate tax rate	-	(393)	-	(393)
Taxation expense reported in the income statement	43,696	47,489	43,696	47,496

Notes and accounting policies

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For the year ended 30 June 2009

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
(b) Deferred taxation taken directly to equity				
Tax effect of movements in the property, plant and equipment revaluation reserve	625	102	625	102
Tax effect of movements in the cash flow hedge reserve	9,521	-	9,521	-
Reduction in corporate tax rate	-	(44)	-	(44)
Deferred tax credit reported in equity	10,146	58	10,146	58

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	
(c) Reconciliation between prima facie taxation and tax expense				
Profit before taxation	85,421	160,448	85,439	160,816
Prima facie taxation at 30% (2008: 33%)	25,626	52,948	25,632	53,069
Adjustments:				
Share of associate's tax-paid earnings	(285)	(347)	(285)	(347)
Revaluation of land with no deferred tax impact	16,147	(3,496)	16,147	(3,496)
Income tax over-provided in prior year	(2,117)	(1,437)	(2,117)	(1,431)
Prior year deferred tax movements in relation to property, plant and equipment	4,250	-	4,250	-
Reduction in corporate tax rate	-	(393)	-	(393)
Other	75	214	69	94
Taxation expense reported in the income statement	43,696	47,489	43,696	47,496

	Balance 1 July 2008	Movement in income	Movement in equity	Balance 30 June 2009
	$000	$000	$000	$000
(d) Deferred tax assets and liabilities				
Group				
Deferred tax liabilities				
Property, plant and equipment	89,875	3,160	(625)	92,410
Investment properties	11,716	(997)	-	10,719
Other	364	(228)	-	136
Deferred tax liabilities	101,955	1,935	(625)	103,265
Deferred tax assets				
Cash flow hedge	-	-	9,521	9,521
Provisions and accruals	2,032	410	-	2,442
Deferred tax assets	2,032	410	9,521	11,963
Net deferred tax liability	99,923	1,525	(10,146)	91,302

Notes and accounting policies

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For the year ended 30 June 2009

	Balance 1 July 2007 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2008 $000
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 2008 $000	Movement in income $000	Movement in equity $000	Balance 30 June 2009 $000
Parent				
Deferred tax liabilities				
Property, plant and equipment	89,875	3,160	(625)	92,410
Investment properties	11,716	(997)	-	10,719
Other	364	(228)	-	136
Deferred tax liabilities	101,955	1,935	(625)	103,265
Deferred tax assets				
Cash flow hedge	-	-	9,521	9,521
Provisions and accruals	2,027	410	-	2,437
Deferred tax assets	2,027	410	9,521	11,958
Net deferred tax liability	99,928	1,525	(10,146)	91,307

Notes and accounting policies

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For the year ended 30 June 2009

	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

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

	GROUP		PARENT	
	2009	2008	2009	2008
(e) Imputation credits	$000	$000	$000	$000
Balance at beginning of the year	28,578	43,194	28,555	43,182
Income tax paid	41,500	40,365	41,500	40,354
Credits attached to dividends paid	(34,562)	(54,981)	(34,562)	(54,981)
Income tax refunded	(11,603)	-	(11,603)	-
Balance at end of the year	23,913	28,578	23,890	28,555

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	
		2009	2008
		%	%
Waste Resources Limited	New Zealand	-	100
Auckland Airport Limited	New Zealand	100	100
Auckland International Airport Limited Share Purchase Plan	New Zealand	-	-
HMSC-AIAL Limited	New Zealand	50	50

Notes and accounting policies

continued

For the year ended 30 June 2009

Waste Resources Limited – subsidiary
Waste Resources Limited, which ceased trading on 19 May 2006, was wound up and deregistered on 12 December 2008.

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 (2008: Nil).

	GROUP		PARENT	
	2009	2008	2009	2008
Carrying amount of associate company	$000	$000	$000	$000
Share of surplus of associate	906	1,538	906	1,538
Taxation (credit)/expense	(43)	487	(43)	487
Share of surplus after tax of associate	949	1,051	949	1,051
Less share of dividends received	-	-	-	-
Net addition to investment carrying value	949	1,051	949	1,051
Share of associate's equity at beginning of year	3,438	2,387	3,438	2,387
Cost of investment in associate	1,505	1,505	1,505	1,505
	5,892	4,943	5,892	4,943

7. Distribution to shareholders

		GROUP		PARENT	
	Dividend	2009	2008	2009	2008
	payment date	$000	$000	$000	$000
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
2008 final dividend of 2.45 cps	24 October 2008	29,987	-	29,990	-
2009 interim dividend of 3.75 cps	27 March 2009	45,930	-	45,936	-
Total dividends paid		75,917	124,632	75,926	124,646

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

On 28 August 2009, the directors approved the payment of a 2009 fully imputed final dividend of 4.45 cents per share (2008: 2.45 cents per share) to be paid on 23 October 2009.

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

Notes and accounting policies

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For the year ended 30 June 2009

8. Earnings per share

The earnings used in calculating basic and diluted earnings per share is $41.725 million (2008: $112.959 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	
	2009 Shares	2008 Shares
For basic earnings per share	1,224,376,880	1,221,923,968
Effect of dilution of share options	182,892	637,847
For dilutive earnings per share	1,224,559,772	1,222,561,815

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 2009

	GROUP AND PARENT					
	Land $000	Buildings and services $000	Infrastructure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
Balances as at 1 July 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 1 July 2008	1,495,138	543,348	217,846	251,953	14,734	2,523,019
Additions	3,882	30,038	20,630	16,711	8,945	80,206
Transfers	212	-	(668)	-	-	(456)
Disposals	-	-	(265)	(62)	(67)	(394)
Depreciation	-	(28,125)	(9,995)	(10,814)	(5,832)	(54,766)
Movement to 30 June 2009	4,094	1,913	9,702	5,835	3,046	24,590
Balances as at 30 June 2009						
At fair value	1,499,232	598,073	247,862	265,122	-	2,610,289
At cost	-	-	-	-	57,400	57,400
Work in progress at cost	-	19,115	3,696	24,007	2,029	48,847
Accumulated depreciation	-	(71,927)	(24,010)	(31,341)	(41,649)	(168,927)
Balances as at 30 June 2009	1,499,232	545,261	227,548	257,788	17,780	2,547,609

Notes and accounting policies

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For the year ended 30 June 2009

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

Additions for the year ended 30 June 2009 include capitalised interest of $3.889 million (2008: $6.831 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

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For the year ended 30 June 2009

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

Notes and accounting policies

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For the year ended 30 June 2009

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

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Land				
Cost	130,278	127,982	130,278	127,982
Accumulated depreciation	-	-	-	-
Net carrying amount	130,278	127,982	130,278	127,982
Buildings and services				
Cost	693,365	666,989	693,365	666,989
Accumulated depreciation	(304,189)	(282,704)	(304,189)	(282,704)
Net carrying amount	389,176	384,285	389,176	384,285
Infrastructure				
Cost	209,933	190,170	209,933	190,170
Accumulated depreciation	(60,015)	(53,108)	(60,015)	(53,108)
Net carrying amount	149,918	137,062	149,918	137,062
Runway, taxiways and aprons				
Cost	287,592	272,343	287,592	272,343
Accumulated depreciation and impairment	(115,410)	(106,033)	(115,410)	(106,033)
Net carrying amount	172,182	166,310	172,182	166,310

10. Investment Properties

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at the beginning of the year	524,280	509,900	524,280	509,900
Additions	7,387	3,350	7,387	3,350
Transfers	456	(2,691)	456	(2,691)
Investment properties net revaluations	(64,586)	13,721	(64,586)	13,721
Balance at end of year	467,537	524,280	467,537	524,280

Auckland Airport's accounting policy is for investment property to be measured at fair value, which reflects market conditions at the balance sheet date. To determine fair value, Auckland Airport obtains investment property valuations at least annually by independent registered valuers. The valuations as at 30 June 2009 and for the previous year were performed by Seagar & Partners (Auckland) Limited, registered valuers. Seagar & Partners (Auckland) Limited are industry specialists in valuing these types of investment properties.

The impact of the valuation as at 30 June 2009 has been included in the financial statements by writing down the carrying value of investment properties in the income statement and the balance sheet. The valuation in the prior year resulted in an increase in the carrying value of the 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. The principal assumptions used in establishing the valuations were as follows:

Notes and accounting policies

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For the year ended 30 June 2009

	GROUP		PARENT	
	2009	2008	2009	2008
	%	%	%	%
Contract capitalisation rate - average	8.62	8.02	8.62	8.02
Market capitalisation rate - average	8.96	8.25	8.96	8.25
Occupancy	96.09	97.65	96.09	97.65
Weighted average lease term (years)	4.73	4.63	4.73	4.63
Number of buildings and land parcels	106	105	106	105

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Rental income for investment properties	21,672	19,334	21,672	19,334
Recoverable cost revenue	2,104	1,155	2,104	1,155
Direct operating expenses for investment properties	(1,491)	(866)	(1,491)	(866)

11. Cash

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Cash and bank balances	34,320	693	34,320	693

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

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

12. Accounts receivable

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Trade receivables	5,461	5,142	5,461	5,142
Less: Provision for doubtful debts	(418)	(553)	(418)	(553)
Net trade receivables	5,043	4,589	5,043	4,589
Revenue accruals and other receivables	12,278	10,200	12,677	10,200
	17,321	14,789	17,720	14,789

Notes and accounting policies

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For the year ended 30 June 2009

13. Issued and paid-up capital

Ordinary shares

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Opening issued and paid-up capital at 1 July	170,265	169,057	170,402	169,194
Options exercised during the year	4,473	1,208	4,473	1,208
Shares issued to employee share scheme	-	-	433	-
Closing issued and paid-up capital at 30 June	174,738	170,265	175,308	170,402

	GROUP		PARENT	
	2009 Shares	2008 Shares	2009 Shares	2008 Shares
Opening number of shares issued at 1 July	1,222,149,095	1,221,538,835	1,222,295,239	1,221,690,439
Options exercised during the year	2,662,400	604,800	2,662,400	604,800
Shares allocated to employees by employee share scheme	1,500	5,460	-	-
Shares issued to employee share scheme	-	-	285,600	-
Closing number of shares issued at 30 June	1,224,812,995	1,222,149,095	1,225,243,239	1,222,295,239

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

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

Options have been exercised pursuant to the Executive Share Option Plan. Details of these options are disclosed in note 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	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at 1 July	251,786	262,325	251,601	261,793
Profit after taxation	41,725	112,959	41,743	113,320
Ordinary dividends paid (refer note 7)	(75,917)	(124,632)	(75,926)	(124,646)
Reclassification from revaluation reserve	2,657	1,134	2,657	1,134
Balance at 30 June	220,251	251,786	220,075	251,601

Notes and accounting policies

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For the year ended 30 June 2009

(b) Reserves
(i) Cancelled share reserve

	GROUP		PARENT	
	2009	2008	2009	2008
	$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.

(ii) Property, plant and equipment revaluation reserve

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Balance at the beginning of the year	1,630,815	1,631,891	1,630,815	1,631,891
Reclassification to retained earnings	(2,657)	(1,134)	(2,657)	(1,134)
Movement in deferred tax	625	58	625	58
Balance at the end of the year	1,628,783	1,630,815	1,628,783	1,630,815

(iii) Share-based payments reserve

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Balance at the beginning of the year	895	864	895	864
Executive share option plan	-	31	-	31
Balance at the end of the year	895	895	895	895

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.

Notes and accounting policies

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For the year ended 30 June 2009

(iv) Cash flow hedge reserve

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Balance at the beginning of the year	4,176	12,132	4,176	12,132
Fair value change in hedging instrument	(30,230)	(2,467)	(30,230)	(2,467)
Transfer to income statement	(5,683)	(5,489)	(5,683)	(5,489)
Movement in deferred tax	9,521	-	9,521	-
Balance at the end of the year	(22,216)	4,176	(22,216)	4,176

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	
	2009	2008	2009	2008
	$000	$000	$000	$000
Employee entitlements	5,154	5,638	5,154	5,638
Phantom option plan accrual (refer note 25)	2,000	2,000	2,000	2,000
GST payable	2,163	1,311	2,163	1,311
Property, plant and equipment retentions and payables	10,432	13,940	10,432	13,940
Trade payables	2,373	612	2,373	612
Other payables and accruals	20,631	22,229	20,631	22,254
Total accounts payable and accruals	42,753	45,730	42,753	45,755

Notes and accounting policies

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For the year ended 30 June 2009

16. Borrowings

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

			GROUP		PARENT	
			2009	2008	2009	2008
	Maturity	Coupon	$000	$000	$000	$000
Current						
Money market	Overnight	Floating	-	32,800	-	32,800
Commercial paper	< 3 months	Floating	72,824	193,123	72,824	193,123
Bonds	15/11/2008	7.50%	-	36,907	-	36,907
Bonds	15/11/2008	6.64%	-	37,963	-	37,963
Bonds	29/07/2009	6.67%	67,074	-	67,074	-
Floating rate notes	29/07/2009	Floating	8,100	-	8,100	-
Bank facility	10/03/2010	Floating	125,000	-	125,000	-
Total short-term borrowings			272,998	300,793	272,998	300,793
Non-current						
Bank facility	10/03/2010	Floating	-	125,000	-	125,000
Bank facility	10/03/2011	Floating	125,000	45,000	125,000	45,000
Bank facility	31/01/2012	Floating	270,000	275,000	270,000	275,000
Floating rate notes	29/07/2009	Floating	-	8,100	-	8,100
Floating rate notes	29/11/2011	Floating	5,000	5,000	5,000	5,000
Bonds	29/07/2009	6.67%	-	65,709	-	65,709
Bonds	29/07/2011	6.83%	73,715	67,918	73,715	67,918
Bonds	7/11/2012	7.19%	50,000	50,000	50,000	50,000
Bonds	7/11/2015	7.25%	100,000	100,000	100,000	100,000
Bonds	15/11/2016	8.00%	129,992	-	129,992	-
Bonds	28/02/2014	7.25%	50,000	-	50,000	-
Total term borrowings			803,707	741,727	803,707	741,727
Total						
Money market			-	32,800	-	32,800
Commercial paper			72,824	193,123	72,824	193,123
Bank facilities			520,000	445,000	520,000	445,000
Floating rate notes			13,100	13,100	13,100	13,100
Bonds			470,781	358,497	470,781	358,497
Total borrowings			1,076,705	1,042,520	1,076,705	1,042,520
Summary of maturities						
Due less than one year			272,998	300,793	272,998	300,793
Due one to three years			473,715	243,809	473,715	243,809
Due three to five years			100,000	397,918	100,000	397,918
Due greater than five years			229,992	100,000	229,992	100,000
			1,076,705	1,042,520	1,076,705	1,042,520

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

Notes and accounting policies

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For the year ended 30 June 2009

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

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

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

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

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

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

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

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

17. Derivative financial instruments

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

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Current assets				
Interest rate swaps – cash flow hedges	-	292	-	292
Interest rate swaps – fair value hedges	1,683	-	1,683	-
Total	1,683	292	1,683	292
Non-current assets				
Interest rate swaps – cash flow hedges	-	6,991	-	6,991
Interest rate swaps – fair value hedges	5,334	-	5,334	-
Total	5,334	6,991	5,334	6,991
Current liabilities				
Interest rate swaps – cash flow hedges	5,020	-	5,020	-
Interest rate swaps – fair value hedges	-	748	-	748
Total	5,020	748	5,020	748
Non-current liabilities				
Interest rate swaps – cash flow hedges	29,279	2,222	29,279	2,222
Interest rate swaps – fair value hedges	-	1,536	-	1,536
Total	29,279	3,758	29,279	3,758

Notes and accounting policies

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For the year ended 30 June 2009

Cash flow hedges

At 30 June 2009, the company held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount. The notional amount of the interest rate swaps at 30 June 2009 is $485.000 million (2008: $480.000 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 required to be recognised in the income statement.

Fair value hedges

At 30 June 2009, the company held interest rate swaps where it receives a fixed rate of interest and pays a variable rate on the notional amount. The notional amount of the interest rate swaps at 30 June 2009 is $136.900 million (2008: $211.900 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	
	2009	2008	2009	2008
	$000	$000	$000	$000
Gains/(losses) on the fixed interest bonds	(7,718)	(4,124)	(7,718)	(4,124)
Gains/(losses) on the derivatives	7,718	4,124	7,718	4,124

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

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Profit after taxation	41,725	112,959	41,743	113,320
Non-cash items:				
Depreciation	54,766	46,973	54,766	46,973
Bad debts and doubtful debts	795	360	795	360
Deferred taxation expense	1,525	4,620	1,525	4,616
Share-based payments expense	-	31	-	31
Equity-accounted earnings from associates	(949)	(1,051)	(949)	(1,051)
Investment property fair value decrease/(increase)	64,586	(13,721)	64,586	(13,721)
Gain on investment in subsidiary	-	-	-	(362)
Items not classified as operating activities:				
Loss on asset disposals	971	352	971	352
(Increase)/decrease in property, plant and equipment retentions and payables	5,168	3,081	5,168	3,081
Movement in working capital:				
(Increase)/decrease in current assets	(3,369)	(3,382)	(3,344)	(3,393)
(Increase)/decrease in taxation receivable	9,488	(3,547)	9,470	(3,964)
Increase/(decrease) in accounts payable	(4,636)	(12,337)	(4,660)	(12,312)
Increase/(decrease) in other term liabilities	8	(10)	8	(10)
Net cash flow from operating activities	170,078	134,328	170,079	133,920

Notes and accounting policies

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For the year ended 30 June 2009

19. Financial instruments

Fair value

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

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

The 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 cash, accounts receivable, derivative financial instruments, bank overdraft, accounts payable and accruals, other term liabilities and all borrowings except for bonds.

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

	Carrying Value 2009 $000	Fair Value 2009 $000	Carrying Value 2008 $000	Fair Value 2008 $000
Bonds	470,781	475,166	358,497	352,590

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 also attributable to accounts receivable which principally comprise amounts due from airlines, tenants and licensees. The company has a policy that manages exposure to credit risk by way of requiring a performance bond for some customers whose credit rating or history indicates that this would be prudently required. The value of performance bonds for the group is $0.438 million (2008: $0.430 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, floating rate notes, 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 2009, this facility headroom was $305.000 million (2008: $380.000 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.

Notes and accounting policies

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For the year ended 30 June 2009

As at 30 June 2009

	GROUP AND PARENT				
	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Money market	-	-	-	-	-
Commercial paper	73,000	-	-	-	73,000
Bank facilities	125,000	395,000	-	-	520,000
Floating rate notes	8,100	5,000	-	-	13,100
Bonds	66,900	70,000	100,000	229,992	466,892
Interest	46,316	72,069	42,617	34,591	195,593
Current derivative assets	(1,686)	-	-	-	(1,686)
Term derivative assets	(2,517)	(2,983)	-	-	(5,500)
Current derivative liabilities	5,092	-	-	-	5,092
Term derivative liabilities	15,437	12,197	1,406	1,964	31,004
Total	335,642	551,283	144,023	266,547	1,297,495

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

(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, 79% (2008: 58%) 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 nine years from 30 June 2009.

The following table demonstrates the sensitivity to a change in floating interest rates of plus and minus one percent, with all other variables held constant, of the company's profit before tax and equity.

Notes and accounting policies

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For the year ended 30 June 2009

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Increase in interest rates of one percent				
Effect on profit before tax	(2,230)	(4,409)	(2,230)	(4,409)
Effect on retained earnings	(1,561)	(2,954)	(1,561)	(2,954)
Effect on cash flow hedge reserve	14,529	15,336	14,529	15,336
Decrease in interest rates of one percent				
Effect on profit before tax	2,230	4,409	2,230	4,409
Effect on retained earnings	1,561	2,954	1,561	2,954
Effect on cash flow hedge reserve	(15,394)	(16,293)	(15,394)	(16,293)

(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 2009 is 36.9% (2008: 35.5%). The current long-term credit rating of Auckland Airport by Standard and Poor's at 30 June 2009 is A- Stable Outlook (2008: A Negative Outlook).

21. Commitments

(a) Property, plant and equipment commitments

The company had contractual obligations to purchase or develop property, plant and equipment for $20.100 million at balance date (2008: $66.001 million) principally relating to the second runway development and the first floor redevelopment of the international terminal.

(b) Investment property commitments

The company had contractual obligations to purchase or develop investment property for $7.457 million at balance date (2008: $2.297 million).

(c) Operating lease commitments receivable – group as lessor

The group has commercial properties owned by the company that produce rental income and retail concession agreements that produce retail income.

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

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Within one year	106,238	91,669	106,238	91,669
After one year but no more than five years	384,705	437,452	384,705	437,452
After more than five years	133,258	238,492	133,258	238,492
Total minimum lease payments receivable	624,201	767,613	624,201	767,613

Notes and accounting policies

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For the year ended 30 June 2009

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 targeted completion date for the first stage to be operational is early 2011 and will provide a runway of 1200 metres. This can be increased to 2150 metres in the future.

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

Also, as part of the Manukau District Plan, the company will, over time, offer certain acoustic treatment packages to existing homes and schools within defined areas. Noise levels are monitored continually, and as the noise impact area increases, offers will need to be made. The obligation does not extend to new houses. Overall, it is estimated that approximately 4000 homes will eventually be offered assistance.

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

Claim under Public Works Act

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

The Craigie Trust has filed a notice of appeal against the High Court decision that ruled in favour of Auckland Airport, the appeal is set to be heard in the Court of Appeal on 22 and 23 September 2009. 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 judgement, that could, depending on the terms of the judgement, have implications for other areas of land acquired under the Public Works Act.

23. Provisions for noise mitigation

Since 2005, the company has made acoustic treatment offers to a total of 2523 houses and five schools. Homeowners of 226 homes and three schools have accepted these offers.

There were 241 offers made to homeowners in April 2008. These offers were open for 12 months and have now expired. Of the 241 offers, 16 were accepted.

In May 2009, the company made offers to the owners of 1,055 homes. These offers are open for 12 months. As at 30 June 2009, the company has received acceptances from the owners of 12 homes.

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

Notes and accounting policies

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For the year ended 30 June 2009

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 arm's-length commercial basis, without special privileges.

HMSC-AIAL Limited is an associate entity of the company and during the year ended 30 June 2009 transactions with HMSC-AIAL Limited totalled $0.795 million (2008: $0.369 million). As at 30 June 2009 $0.009 million was owed by HMSC-AIAL Limited (2008: $0.032 million). Waste Resources Limited was a subsidiary of the company and de-registered on 12 December 2008. During the year ended 30 June 2009 transactions with Waste Resources Limited totalled $0.0 million (2008: $0.020 million). No amounts were owed by Waste Resources Limited at 30 June 2009 (2008: 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 2009, the group has not made any allowance for impairment loss relating to amounts owed by related parties (2008: Nil).

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

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

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Directors' fees	753	828	753	828
Senior management's salary and other short-term benefits	4,002	4,920	4,002	4,920
Termination payments	713	-	713	-
Senior management's share-based payment	18	(4,316)	18	(4,316)
Total key personnel compensation	5,486	1,432	5,486	1,432

25. Share-based payment plans

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

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Expense from equity-settled share-based payments				
Executive share option plan	-	31	-	31
Expense from cash-settled share-based payments				
Phantom option plan	421	(4,747)	421	(4,747)
Total expense from share-based payment transactions	421	(4,716)	421	(4,716)

Notes and accounting policies

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For the year ended 30 June 2009

(a) Employee share purchase plan

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes and accounting policies

continued

For the year ended 30 June 2009

(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 2009

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

For the year ended 30 June 2008

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

Notes and accounting policies

continued

For the year ended 30 June 2009

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 0.54 years (2008: 1.10 years). The exercise price for options outstanding at the end of the year was $1.45 (2008: ranged from $1.53 to $1.80). There were no options issued during the year ended 30 June 2009 (2008: Nil).

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

(c) Phantom option plan

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

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

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

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

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

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

As at 30 June 2009 the fair value of the cash-settled phantom plans is $2.000 million (2008: $2.000 million) and full provision has been made in the financial statements. Any expense reversal or expense relating to the change in fair value has been included in staff expenses in the income statement. Cash-settled share-based payments under the phantom plan were $0.421 million during the year ended 30 June 2009 (2008: $4.053 million).

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

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

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

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 28 August 2009, the directors approved the payment of a fully imputed final dividend of 4.45 cents per share amounting to $54.523 million to be paid on 23 October 2009.

Audit report

Deloitte.

Audit Report To The Shareholders Of Auckland International Airport Limited

We have audited the financial statements on pages 34 to 66. 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 2009. This information is stated in accordance with the accounting policies set out on pages 38 to 42.

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 2009 and of the results of their operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the 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 34 to 66:
  - 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 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 August 2009 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 (the 'Company') and group for the year ended 30 June 2009 included on the Company's website. The Director's are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the 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 28 August 2009 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 2009

Income statement

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Operating revenue					
Airfield income	70,458	70,129	66,266	67,351	66,280
Passenger service charge	66,542	66,952	64,389	60,405	49,531
Terminal services charge	27,470	22,897	21,888	17,274	13,866
Retail income	105,316	98,427	93,744	86,712	84,681
Rental income	47,975	45,172	33,267	31,502	29,243
Rates recoveries	3,210	3,132	2,736	2,285	2,096
Car park income	29,377	29,252	25,878	24,847	23,396
Interest income	2,611	563	1,076	517	144
Share of profit of an associate	949	1,051	904	688	844
Other revenue	15,336	13,455	11,798	14,233	12,644
Total revenue	369,244	351,030	321,946	305,814	282,725
Operating expenses					
Staff	34,337	24,893	36,045	25,950	24,024
Repairs and maintenance	30,158	25,717	22,987	20,500	18,469
Rates and insurance	6,845	7,389	6,271	5,793	5,482
Other	17,541	17,195	13,927	13,410	13,232
Total operating expenses	88,881	75,194	79,230	65,653	61,207
Operating earnings before interest, taxation and depreciation (Operating EBITDA)	280,363	275,836	242,716	240,161	221,518
Investment property fair value increases	(64,586)	13,721	140,160	-	-
Costs relating to ownership proposals	-	(9,588)	-	-	-
Total earnings before interest, taxation and depreciation (Total EBITDA)	215,777	279,969	382,876	240,161	221,518
Depreciation	54,766	46,973	43,184	38,546	31,895
Earnings before interest and taxation (EBIT)	161,011	232,996	339,692	201,615	189,623
Interest expense and other finance costs	75,590	72,548	62,739	54,911	36,229
Profit before taxation	85,421	160,448	276,953	146,704	153,394
Taxation expense	43,696	47,489	46,089	43,549	47,753
Profit after taxation	41,725	112,959	230,864	103,155	105,641

Note: 2009, 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 2009

Statement of changes in equity

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Movement in cash flow hedge reserve:					
Gain/(loss) taken to equity	(30,230)	(2,467)	10,457	-	-
Transferred to income statement	(5,683)	(5,489)	(331)	-	-
Increase in value of property, plant and equipment	-	-	-	1,385,718	-
Increase in value of investment properties	-	-	-	13,615	10,707
Movement in deferred tax taken directly to equity	10,146	58	11,496	-	-
Net income recognised directly in equity	(25,767)	(7,898)	21,622	1,399,333	10,707
Profit after taxation	41,725	112,959	230,864	103,155	105,641
Total recognised income and expense	15,958	105,061	252,486	1,502,488	116,348
Increase in issued and paid-up capital	4,473	1,208	2,266	3,485	3,554
Ordinary dividends paid	(75,917)	(124,632)	(100,087)	(100,228)	(98,596)
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	(55,486)	(18,332)	154,757	1,397,553	(125,416)
Equity at beginning of period	1,896,633	1,914,965	**1,760,208	457,549	582,965
Equity at end of period	1,841,147	1,896,633	1,914,965	1,855,102	457,549

Note: 2009, 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 2009

Balance sheet

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Non-current assets					
Property, plant and equipment					
Freehold land	1,499,232	1,495,138	1,492,015	1,645,619	458,196
Buildings and services	545,261	543,348	472,095	425,392	310,246
Infrastructure	227,548	217,846	198,728	195,742	123,848
Runways, taxiways and aprons	257,788	251,953	252,647	254,855	181,702
Vehicles, plant and equipment	17,780	14,734	12,517	11,822	9,402
	2,547,609	2,523,019	2,428,002	2,533,430	1,083,394
Investment properties	467,537	524,280	509,900	193,502	175,439
Investment in associate	5,892	4,943	3,892	2,988	2,800
Derivative financial instruments	5,334	6,991	12,507	-	-
Other non-current assets	775	775	775	1,075	-
	3,027,147	3,060,008	2,955,076	2,730,995	1,261,633
Current assets					
Cash	34,320	693	1,594	324	510
Inventories	130	178	134	100	110
Prepayments	3,309	3,220	2,890	3,616	3,705
Accounts receivable	17,321	14,789	12,140	11,935	10,929
Taxation receivable	4,239	13,727	10,180	10,891	3,057
Derivative financial instruments	1,683	292	669	-	-
	61,002	32,899	27,607	26,866	18,311
Total assets	3,088,149	3,092,907	2,982,683	2,757,861	1,279,944
Shareholders' equity					
Issued and paid-up capital	174,738	170,265	169,057	166,910	163,940
Cancelled share reserve	(161,304)	(161,304)	(161,304)	(161,304)	(153,627)
Retained earnings	220,251	251,786	262,325	(25,387)	(28,314)
Property, plant and equipment revaluation reserve	1,628,783	1,630,815	1,631,891	1,808,241	422,523
Investment property revaluation reserve	-	-	-	66,642	53,027
Share-based payments reserve	895	895	864	-	-
Cash flow hedge reserve	(22,216)	4,176	12,132	-	-
	1,841,147	1,896,633	1,914,965	1,855,102	457,549
Non-current liabilities					
Term borrowings	803,707	741,727	587,490	600,809	401,417
Derivative financial instruments	29,279	3,758	6,151	-	-
Deferred tax liability	91,302	99,923	95,361	-	-
Other term liabilities	438	430	440	958	1,097
	924,726	845,838	689,442	601,767	402,514
Current liabilities					
Accounts payable and accruals	42,753	45,730	58,172	38,290	34,359
Provision for special dividend	-	-	-	-	146,722
Derivative financial instruments	5,020	748	-	-	-
Short-term borrowings	272,998	300,793	317,042	259,808	238,800
Provisions	1,505	3,165	3,062	2,894	-
	322,276	350,436	378,276	300,992	419,881
Total equity and liabilities	3,088,149	3,092,907	2,982,683	2,757,861	1,279,944

Note: 2009, 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 2009

Statement of cash flows

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	363,501	345,973	320,415	300,580	281,137
Income tax refunded	11,621	-	-	-	-
Interest received	2,611	563	1,076	517	144
Dividends from associated company	-	-	-	500	500
	377,733	346,536	321,491	301,597	281,781
Cash was applied to:					
Payments to suppliers and employees	(87,715)	(95,980)	(66,987)	(60,727)	(60,247)
Income tax paid	(44,304)	(46,416)	(44,243)	(51,383)	(51,427)
Other taxes paid	(344)	(328)	(318)	(496)	(514)
Interest paid	(75,292)	(69,484)	(62,789)	(51,596)	(38,557)
	(207,655)	(212,208)	(174,337)	(164,202)	(150,745)
Net cash flow from operating activities	170,078	134,328	147,154	137,395	131,036
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of assets	371	62	233	2,983	1,402
Other investing activities	-	-	500	-	-
	371	62	733	2,983	1,402
Cash was applied to:					
Purchase of property, plant and equipment	(82,517)	(135,964)	(84,325)	(101,026)	(105,095)
Interest paid - capitalised	(3,889)	(6,831)	(2,833)	(2,758)	(2,310)
Expenditure on investment properties	(7,303)	(3,350)	(15,249)	(4,448)	(7,063)
Other investing activities	-	-	(200)	(1,075)	-
	(93,709)	(146,145)	(102,607)	(109,307)	(114,468)
Net cash applied to investing activities	(93,338)	(146,083)	(101,874)	(106,324)	(113,066)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	4,473	1,208	2,285	3,485	3,554
Increase in borrowings	3,383,955	3,959,573	2,103,650	1,833,050	835,217
	3,388,428	3,960,781	2,105,935	1,836,535	838,771
Cash was applied to:					
Decrease in borrowings	(3,355,624)	(3,825,295)	(2,049,858)	(1,612,650)	(757,900)
Dividends paid	(75,917)	(124,632)	(100,087)	(246,950)	(98,596)
Buy-back of shares	-	-	-	(8,192)	-
	(3,431,541)	(3,949,927)	(2,149,945)	(1,867,792)	(856,496)
Net cash flow applied to financing activities	(43,113)	10,854	(44,010)	(31,257)	(17,725)
Net increase/(decrease) in cash held	33,627	(901)	1,270	(186)	245
Opening cash brought forward	693	1,594	324	510	265
Ending cash carried forward	34,320	693	1,594	324	510

Note: 2009, 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 2009

Key performance indicators	2009	2008	2007	2006	2005
Financial performance					
Underlying operating EBITDA margin (%)	77.1%	77.2%	78.5%	78.5%	78.4%
Underlying after-tax return on capital employed (%)	5.7%	5.4%	5.3%	3.7%	8.3%
Underlying earnings per share (cents) *	8.65	8.49	8.22	8.44	8.65
Financial position and gearing					
Debt/Debt + equity (%)	36.9%	35.5%	32.1%	31.7%	58.4%
Debt/Underlying EBITDA (Operating) (times)	3.72	3.59	3.58	3.59	2.90
Underlying EBITDA interest cover (times)	3.58	3.42	3.85	4.16	5.75
Net tangible assets per share *	1.55	1.55	1.57	1.52	0.37
Operating efficiencies					
Passengers per operating staff **	42,786	43,281	43,908	43,404	39,774
Operating revenue per average operating staff ($)	1,176,589	1,167,648	1,144,126	1,100,051	999,028
Operating revenue per passenger ($) **	28.38	26.59	26.06	25.34	25.12
Total retail revenue per international passenger ($) **	14.31	13.19	12.87	12.21	13.17
Car park revenue per passenger ($)	2.44	2.38	2.26	2.22	2.14
Underlying operating staff costs/operating revenue (%)	8.2%	8.4%	8.1%	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 2005 has not been compiled from the new data source. 2006 per passenger calculations have been adjusted accordingly.

Note that, 2009, 2008 and 2007 have been prepared under NZ IFRS and the other years are reported under previous NZ FRS.

Capital expenditure	2009	2008	2007	2006	2005
	$m	$m	$m	$m	$m
Airfield	18.4	11.7	10.2	30.1	51.3
International terminal	36.6	95.4	44.1	42.8	59.5
Domestic terminals	2.5	9.6	20.6	4.2	1.1
Carparking	11.8	4.0	0.5	16.5	1.3
Infrastructure and other	9.5	15.5	12.0	9.8	6.9
Property development	8.8	6.7	18.0	6.1	7.7
Total	87.6	142.9	105.4	109.5	127.8

Five-year summary

continued

For the year ended 30 June 2009

Passenger, aircraft and MCTOW

	2009	2008	2007	2006	2005
Passenger movements					
International *	7,359,611	7,462,683	7,286,397	7,103,035	6,432,161
Domestic	5,653,306	5,740,089	5,068,794	4,963,142	4,823,916
Aircraft movements					
International	40,756	39,053	38,406	38,759	38,465
Domestic	116,025	120,574	117,469	122,140	119,987
MCTOW (tonnes)					
International	4,075,946	4,120,430	4,085,290	4,186,813	4,140,882
Domestic	1,774,079	1,816,370	1,661,844	1,639,690	1,586,692

* Note that, from October 2006, the company now receives more accurate transit and transfer data from Immigration New Zealand. The new data has been compiled back to 1 July 2005. Data for 2005 has 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 NZSX 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').

In August 2007, the ASX Corporate Governance Council released the Corporate Governance Principles and Recommendations 2nd Edition ('Revised ASX Principles'). The board has reviewed the ASX Principles and is reporting on the basis set out in the Revised ASX Principles in this annual report.

The comprehensive ASX Principles set out eight 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.

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.aucklandairport.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's performance and, where necessary, terminating the chief executive'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 remuneration practice which facilitates 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 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. Day-to-day operations are required to be conducted in accordance with strategies set by the board. The board charter records this delegation and promotes clear lines of communication between the chairman and the chief executive.

All directors have been issued letters setting out the terms and conditions of their appointment. 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 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.

The performance of the chief executive and management reporting directly to the chief executive is reviewed annually in accordance with formal review procedures. Each member of the senior management team participates in a formal performance development process which forms the basis of a review by the chief executive. The performance review includes assessment against targeted key performance indicators and company values.

The performance of the chief executive is also reviewed in accordance with this procedure with the review being undertaken by the chairman of the board.

The performance of all members of the senior management team was reviewed in the 2009 financial year in accordance with this process.

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. Tony Frankham, Keith Turner, John Brabazon, Richard Didsbury and Joan Withers are considered by the board to be 'independent' directors. Lloyd Morrison is 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 is an officer of, or otherwise associated directly with, a Substantial Security Holder of the company;
- is, or has, 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 and there has not been a period of at least three years between ceasing such employment and serving on the board;
- 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 advisor 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

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For the year ended 30 June 2009

- or any associated person of the director, has derived, or is likely to derive, in the current financial year 10 percent or more of that person's annual revenue from, or by virtue of, a relationship (other than as a director of AIAL) 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 and the dates of their appointment are:

Anthony Frankham FCA, FAMINZ, AFInstD (Chairman) – 27 October 1994
Keith Turner BE (Hons), ME, PhD, FIEE, Dist.FIPENZ, FNZIM (Deputy Chairman) – 21 April 2004
John Brabazon BCom, ACA, AMInstD, F FIN – 20 November 2007
Richard Didsbury BE – 20 November 2007
Lloyd Morrison LLB (Hons) – 20 November 2007
Joan Withers MBA, AFInstD – 29 October 1997

The chief executive, Simon Moutter, is not a member of the board.

A biography of each director of the company is set out on pages 20 and 21.

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

The table below 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 nomination policy can be found on the Company Website.

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 which can be found on the Company Website. The committee is required comprise of a minimum of two independent non-executive directors and the chairman is required to be an independent director. The current members are Keith Turner (chair), Richard Didsbury, Anthony Frankham and Lloyd Morrison. Their qualifications are set out on this page and attendance at meetings on page 76.

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 completing and returning to the chairman a formal performance evaluation questionnaire which forms the basis of the chairman's review;
- 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. Performance reviews were completed for all directors in the 2009 financial year in accordance with the above procedure.

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 themselves 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 corporate secretary is responsible and accountable to the board for:

- ensuring that board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the board are complied with;
- ensuring the statutory functions of the board and the company are appropriately dealt with and for bringing to the board's attention any failure to comply with such, of which the corporate secretary becomes aware; and
- all matters associated with the maintenance of the board or otherwise required for its efficient operation.

All directors have access to the advice and services of the corporate secretary for the purposes of the board's affairs and the business. The appointment of the corporate secretary is made on the recommendation of the chief executive and must be approved by the board.

Corporate governance

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For the year ended 30 June 2009

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 [2]	Member	No. of meetings	No. of meetings attended	Member	No. of meetings	No. of meetings attended	Member	No. of meetings	No. of meetings attended
Anthony Frankham	Independent non-executive	✓	9	9	8	6	✓	7	7	✓	4	4	✓	1	1
Keith Turner	Independent non-executive	✓	9	9	8	4				✓	4	4	✓	1	1
John Brabazon	Independent non-executive	✓	9	9	8	8	✓	7	7						
Richard Didsbury	Independent non-executive	✓	9	9	8	8	✓	7	7				✓	1	1
Lloyd Morrison[1]	Not independent Non-executive	✓	9	5	8	3				✓	4	4	✓	1	1
Joan Withers	Independent non-executive	✓	9	9	8	4	✓	7	7	✓	4	4			

[1] Lloyd Morrison was granted a leave of absence from the board in January 2009.

[2] Includes meetings of the ITB Hotel Ad Hoc Committee comprising Anthony Frankham, John Brabazon and Richard Didsbury.

Corporate governance

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For the year ended 30 June 2009

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 Ethics Policy and Code of Conduct deals with the company's:

- responsibilities to shareholders including protection of confidential information, restrictions on insider trading, rules for making of public statements on behalf of the company, accounting practices and co-operation with auditors;
- responsibilities to customers and suppliers of Auckland Airport, and other persons using the Auckland Airport including rules regarding unacceptable payments and inducements, treatment of third parties' non-discriminatory treatment and tendering obligations; and
- responsibilities to the community including compliance with statutory and regulatory obligations, use of assets and resources and conflicts of interest,

and sets out procedures to be followed for reporting any concerns regarding breaches of the policy and Code of Conduct and for annual review of their content by the board.

The company also has a policy on share trading by directors, officers and employees which can be found on the Company Website. The policy sets out a fundamental prohibition on insider trading and obligation of confidentiality in dealing with any material information. The policy applies to ordinary shares and debt securities issued by the company, any other listed securities of the company or its subsidiaries and any listed derivatives in respect of such securities.

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.

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 independent non-executive directors. Their qualifications are set out on page 75 and attendance at meetings on page 76.

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 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 the compliance with its disclosure obligations. Managers reporting to the chief executive are required to provide the corporate secretary with all relevant information, to regularly certify that they have done so, and made 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 and the chief executive.

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 which can be found on the Company Website. It is the company's policy that external communications will be accurate, verifiable, consistent and transparent. The chief executive and chief financial officer are appointed as the points of contact for analysts. The chairman, chief executive and corporate secretary are appointed as the points of contact for media.

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 corporate governance section of the Company Website.

The board has elected, for sustainability reasons, to produce this report in an online format. The board considers the annual report to be an essential opportunity for communicating with shareholders.

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 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 auditor's report.

Corporate governance

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For the year ended 30 June 2009

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:

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

The chief executive and the chief financial officer are required each year to confirm in writing to the audit and risk 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 board has received assurance from the chief executive and chief financial officer that this confirmation is founded on a sound system of risk management and internal control which is operating effectively in all respects relating to financial reporting.

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.
- 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.

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.

Principle 8: 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 Lloyd Morrison, is independent. The committee's charter can be found on the Company Website. The committee members' attendance at meetings is set out on page 76.

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.

Remuneration of directors

Name	Director's fee	Accrued retirement allowance
Anthony Frankham	$190,851	$150,000
Keith Turner	$131,600	-
John Brabazon [2]	$107,100	-
Richard Didsbury [2]	$119,850	-
Lloyd Morrison	$104,100	-
Joan Withers [1]	$131,933	$120,000

[1] Joan Withers' remuneration includes ad hoc committee fees of $2,333.33 which relate to additional attendances required on behalf of the board in relation to a retail bond issuance in January 2009.

[2] Richard Didsbury's remuneration includes ad hoc committee fees of $8,750 and John Brabazon's remuneration includes ad hoc committee fees of $5,000. Both of these relate to additional attendances on behalf of the board in relation to the proposed development of a hotel in the international terminal precinct.

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 four 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.

Corporate governance

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For the year ended 30 June 2009

The second and third cash-based incentive plans have been utilised in 2003, 2005, 2006, 2007 and 2008. 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 chief executive, Simon Moutter, was granted three million 'phantom' options upon the commencement of his employment under a fourth cash-based incentive plan. Simon is entitled to exercise up to one million phantom options at any time after the third anniversary of the date of his employment. Up to a further one million options at any time following the fourth anniversary of the date of his employment and up to a further one million options at any time after the fifth anniversary of the date of his employment. The options are exercisable for a period of two years from the date they become exercisable at which time any option which has not been exercised will automatically lapse. In addition, Simon may not give an exercise notice in respect of any option unless total shareholder return is equal to or greater than a compound annual pre-tax rate of 12 percent per annum. Simon does not participate in any of the other three cash-based plans discussed above.

A statement of the company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity-based remuneration scheme forms part of the company's trading policy which can be found on the company website.

The company also has run an employee share plan. Pursuant to this plan 285,600 shares were issued to 189 eligible employees on 21 May 2009. Payments for shares by participating staff are made by way of salary or wage deduction over a period of three years commencing from the issue date. 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 employed by the company during the year, are outlined in the table below.

Name	Base salary and benefits[1]	Short-term incentive	Long-term incentive[2]	Termination payment	Total
Simon Moutter	$742,366	$387,692	-	-	$1,130,058
Stephen Reindler [3]	$118,664	-	$35,022	$712,916	$866,602
Donald Huse [3]	$368,351	$92,325	$101,889	-	$562,565
Anthony Gollin	$358,970	$130,368	$44,660	-	$533,998
Robert Parkinson [3]	$73,113	$20,046	-	$392,519	$485,678

[1] Base salary and benefits include:
- base salary;
- company contribution to superannuation arrangements; and
- other benefits, including medical insurance, motor vehicles, professional fees, 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 a phantom option plan established in 2003. As at 30 June 2009, the estimated provision for future payments of the 2003, 2005, 2006, 2007 and 2008 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] Stephen Reindler, Donald Huse and Robert Parkinson left the company during the financial year.

Shareholder information

For the year ended 30 June 2009

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.

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 (i.e. substantial holdings and takeovers).

Waivers granted by the NZX
The company was issued with two waivers of Listing Rule 11.1.1 by NZX on 10 October 2008 and 23 December 2008 respectively. This rule restricts an issuer of securities from imposing any restriction on the right of a holder of a quoted security to transfer that security, or any restriction upon registration of a properly completed transfer of quoted securities. The waivers were issued to permit the company to include terms in the trust deed relating to the issue of two tranches of unsecured, unsubordinated retail bonds that restrict transfers if they result in either the transferor holding less than $10,000 (if not zero) in principal amount in bonds or are of amounts that are not multiples of $1,000.

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 2009.

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 2009 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 $11,000 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 3.41 cents in 2009 compared with 9.24 cents in 2008 and 18.91 cents in 2007.

Credit rating
As at 1 August 2009, the Standard & Poor's long-term debt rating for the company was A- Stable Outlook and the short-term debt rating was A-2.

Subsidiary company directors
Simon Moutter and Charles Spillane held office as directors of Auckland Airport Limited as at 30 June 2009.

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 29 October 2009 at 10.30am.

Directors' holdings and disclosure of interests
Directors held interests in the following shares in the company as at 30 June 2009:

Anthony Frankham	Beneficially Owned Held by Associated Persons	144,000 31,996
Keith Turner		Nil
John Brabazon		Nil
Richard Didsbury	Held by Associated Persons	23,100
Lloyd Morrison	Held by Associated Persons	87,275,444
Joan Withers	Beneficially Owned	23,996

Shareholder information

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For the year ended 30 June 2009

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
Chairman, Rainbows End Theme Park Limited
Director, Procare Health Limited

Keith Turner
Director, Keith Turner & Associates
Chairman, Flight Experience Limited
Chairman, Oceania Dairies Limited
Chairman, Phitek Limited
Chairman, The New Zealand Institute
Director, Spark Infrastructure Pty Limited
Director, Waitaki Windfarms limited

John Brabazon
Executive Director, DBB Capital Limited
Director, Kern River Oil Corporation in the United States
Director, The New Zealand Wine Fund Limited
Director, Kaiwhata Forests Limited

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

Lloyd Morrison
Chairman, HRL 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 (resigned 30 June 2009)
Director, New Zealand Press Association Limited (resigned 25 June 2009)

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	5
$120,001 to $130,000	8
$130,001 to $140,000	4
$140,001 to $150,000	4
$150,001 to $160,000	5
$160,001 to $170,000	10
$170,001 to $180,000	2
$180,001 to $190,000	3
$190,000 to $200,000	1
$200,001 to $210,000	1
$210,001 to $220,000	2
$230,001 to $240,000	1
$240,001 to $250,000	1
$250,001 to $260,000	1
$270,000 to $280,000	1
$290,000 to $300,000	1
$320,000 to $330,000	1
$330,001 to $340,000	2
$400,000 to $410,000	2
$480,000 to $490,000	2
$530,000 to $540,000	1
$560,000 to $570,000	1
$860,000 to $870,000	1
$1,130,000 to $1,140,000	1
	66

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, 2005, 2006, 2007 and 2008 (refer to note 25 in the financial statements); at balance date the value of these incentives was $2.000 million.

Shareholder information

continued

For the year ended 30 June 2009

Distribution of ordinary shares and shareholders

As at 1 August 2009

Size of holding	Number of shareholders	%	Number of Shares	%
1 – 1,000	3,779	7.35	2,517,657	0.21
1,001 – 5,000	34,324	66.79	7,223,388	5.90
5,001 – 10,000	6,249	12.16	46,989,373	3.84
10,001 – 100,000	6,776	13.18	163,035,223	13.31
100,001 and over	266	0.52	940,470,598	76.76
Total	51,394	100.00	1,225,243,239	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 2009 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
New Zealand Superannuation Fund Nominees Limited	119,386,685	27.02.09
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
HRL Morrison & Co Group Limited	87,275,444	22.08.08

The total number of voting securities on issue as at 1 August 2009 was 1,225,243,239.

Shareholder information

continued

For the year ended 30 June 2009

Twenty largest shareholders

As at 1 August 2009

Shareholder	Number of shares	% of capital
New Zealand Central Securities Depository Limited[1]	455,393,976	37.16
Auckland City Council	155,766,240	12.71
Manukau City Investments Limited	122,747,656	10.01
Renew Nominees Limited	47,321,336	3.86
Custodial Services Limited	22,401,765	1.82
HSBC Custody Nominees (Australia) Limited	14,551,591	1.18
FNZ Custodians Limited	11,848,743	0.96
J P Morgan Nominees Australia Limited	7,458,442	0.60
Custodial Services Limited	6,821,080	0.55
Private Nominees Limited	5,648,167	0.46
Investment Custodial Services Limited	4,062,908	0.33
Masfen Securities Limited	3,633,387	0.29
Citicorp Nominees Pty Limited	3,622,482	0.29
The New Zealand Guardian Trust Company Limited	2,991,715	0.24
Custodial Services Limited	2,989,187	0.24
Custodial Services Limited	2,798,227	0.22
Bond Street Custodians Limited	2,193,264	0.17
Citicorp Nominees Pty Limited	2,115,557	0.17
UBS Nominees Pty Limited	1,842,773	0.15
Citicorp Nominees Pty Limited	1,826,680	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 2009, the 10 largest shareholdings in the company held through NZCSD were:

Shareholder	Number of shares	% of capital
NZ Superannuation Fund Nominees Limited	119,461,405	9.75
HSBC Nominees (New Zealand) Limited	76,282,042	6.23
National Nominees New Zealand Limited	73,128,758	5.97
Accident Compensation Corporation	38,005,155	3.10
Citibank Nominees (New Zealand) Limited	28,307,185	2.31
HSBC Nominees (New Zealand) Limited	18,523,991	1.51
ANZ Nominees Limited	17,566,161	1.43
TEA Custodians Limited	13,352,714	1.09
AMP Investments Strategic Equity Growth Fund	10,841,251	0.88
NZGT Nominees Limited	10,453,125	0.85

Shareholder information

continued

For the year ended 30 June 2009

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 10.30am on 29 October 2009 this year 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 NZSX 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 A$500. As at 1 August 2009, 690 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 percent of the voting rights in the company or the increase of an existing holding of 20 percent or more of the voting rights in the company can only occur 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 percent 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 percent of the shares issued by the company or, if the overseas person already holds 25 percent 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
John Brabazon
Richard Didsbury
Lloyd Morrison
Joan Withers

Senior management
Simon Moutter, chief executive
Peter Alexander, general manger property
Tony Gollin, chief operating officer aeronautical
Adrian Littlewood, general manager retail and commercial
Judy Nicholl, general manager people and performance
Andrew Pirie, strategic communications advisor
Mary-Anne Powell, executive assistant and office manager
Simon Robertson, chief financial officer
Charles Spillane, general counsel and corporate secretary
Glenn Wedlock, general manager aeronautical business development

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: corporate@aucklandairport.co.nz
Website: www.aucklandairport.co.nz

Registered office Australia
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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 International Airport Limited
PO Box 73020
Auckland Airport
Manukau 2150
New Zealand

Corporate secretary
Charles Spillane

Solicitors
Russell McVeagh

Auditors
Deloitte

Principal bankers
Bank of New Zealand
Commonwealth Bank of Australia
The Bank of Tokyo-Mitsubishi UFJ Limited
ANZ National Bank Limited
Westpac Banking Corporation

This annual report is dated 28 August 2009 and is signed on behalf of the board by:

Anthony Frankham
Chairman of the board

Keith Turner
Director

Share registrar
Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
159 Hurstmere Road
Takapuna, North Shore City 0622

Managing your shareholding online:
To change your address, update your payment instructions and to view your registered details including transactions, please visit;

www.computershare.co.nz/investorcentre

General enquiries can be directed to;
enquiry@computershare.co.nz
Private bag 92119, Auckland 1142
Telephone +64 9 488 8777 Facsimile +64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number.

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 75 metres (including 45m structural width and 2 x 15m 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
Air New Zealand domestic terminal
Pacific Blue/Jetstar domestic terminal

Car parks
Over 8500 (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 11 cubic metre 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; PCN65/R/B/W/T
Taxiway width, surface and strength 30-44m concrete; PCN 65/R/B/W/T

Passengers
- Over 73 percent 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
12/14 (i.e. two are MARS) airbridge stands, 10 remote stands, with additional capacity possible

Air New Zealand domestic terminal
Four airbridge stands, 12 gate stands

Pacific Blue/Jetstar domestic terminal
Four airbridge stands served by three airbridges, four 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 services 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 now flies daily into Auckland. 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 can the 747.

Airport company
Auckland International Airport Limited ('Auckland Airport').

ASX
Australian Stock Exchange.

Airways New Zealand
State-owned air traffic management organisation.

Automated border crossing
Auckland Airport has been working with border agencies to develop an optional automated border crossing process using the latest technologies. A trial of SmartGate was held in 2008 and 2009, and it is now scheduled to be fully operational for all trans-Tasman arrivals by December 2009.

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 Airport.

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.

Departure fee
Travellers no longer need to pay a $25 international departure fee at Auckland Airport.

The departure fee has been replaced by a passenger services charge (PSC) which is levied on airlines, rather than on travellers, based on the number of international arrivals and departures.

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
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 with 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 1 billion litres of aviation fuel is delivered to the airport annually.

Landside
The public areas of a terminal, 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)
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 other 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.

A Sustainable Report

Online version
This report has been created primarily for the web with a printed version produced in a limited print run to save on both cost and environmental impact.

Printing
This printed version of the report has been produced using just one colour and uses a technique known as coldset printing. Coldset printing uses 30% less power than conventional printing.

Paper stock
Sapphire Offset paper is 100% virgin fibre, sourced from sustainably managed forests. It is manufactured in an elemental chlorine free process (ECF) and produced under an environmental management system ISO 14001.

PLEASE RECYCLE ME