AUCKLAND INTERNATIONAL AIRPORT LIMITED

IDENTIFIED AIRPORT ACTIVITIES

DISCLOSURE FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED

30 JUNE 2010

Auckland International Airport Limited
Identified Airport Activities

Income statement

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $000	2009 $000
Income			
Airfield income		66,715	70,458
Passenger services charge		73,252	66,542
Terminal services charge		27,814	27,470
Rental income		23,509	24,362
Interest income		937	1,542
Other income		4,245	4,957
Total income		196,472	195,331
Expenses			
Staff	4	25,001	26,777
Asset management, maintenance and airport operations		23,424	22,622
Rates and insurance		3,294	3,660
Other		11,420	11,043
Total expenses		63,139	64,102
Earnings before interest, taxation and depreciation EBITDA		133,333	131,229
Depreciation	8	44,167	42,181
Earnings before interest and taxation (EBIT)		89,166	89,048
Interest expense and other finance costs	4	29,502	32,250
Profit before taxation		59,664	56,798
Taxation expense			
Deferred tax adjustment on buildings	5	50,338	-
Other taxation expense	5	16,685	18,537
Total taxation expense		67,023	18,537
(Loss)/profit after taxation		(7,359)	38,261
		Cents	**Cents**
Earnings per share:			
Basic and diluted (loss)/earnings per share	7	(0.6)	3.1

The notes and accounting policies on pages 7 to 53 form part of and are to be read in conjunction with these disclosure financial statements.

Auckland International Airport Limited
Identified Airport Activities

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $000	2009 $000
(Loss)/profit for the period		(7,359)	38,261
Other comprehensive income			
Property, plant and equipment revaluation:			
Property, plant and equipment revaluation movement due to allocation changes	12(b)	2,250	2,328
Tax on the property, plant and equipment revaluation reserve	12(b)	5,722	(196)
Total property, plant and equipment revaluation movement		7,972	2,132
Share-based payments	12(c)	8	-
Cash flow hedges:			
Fair value gains/(losses) recognised in the cash flow hedge reserve	12(d)	(6,335)	(13,375)
Realised (gains)/losses transferred to the income statement	12(d)	8,605	(2,514)
Tax effect of movements in the cash flow hedge reserve	12(d)	(1,174)	4,213
Total cash flow hedge movement		1,096	(11,676)
Total other comprehensive income/(loss)		9,076	(9,544)
Total comprehensive income for the period, net of tax		1,717	28,717

The notes and accounting policies on pages 7 to 53 form part of and are to be read in conjunction with these disclosure financial statements.

Auckland International Airport Limited
Identified Airport Activities

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Issued and paid-up capital $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 July 2009		201,851	643,334	763	(10,009)	(27,743)	808,196
(Loss)/profit for the period		-	-	-	-	(7,359)	(7,359)
Other comprehensive income/(loss)		-	7,972	8	1,096	-	9,076
Total comprehensive income/(loss)		-	7,972	8	1,096	(7,359)	1,717
Reclassification to retained earnings	12	-	(1,545)	-	-	1,545	-
Shares issued	11	6,555	-	-	-	-	6,555
Dividend paid	6	-	-	-	-	(40,323)	(40,323)
At 30 June 2010		208,406	649,761	771	(8,913)	(73,880)	776,145

	Notes	Issued and paid-up capital $000	Property, plant and equipment revaluation reserve $000	Share-based payments reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total $000
At 1 July 2008		198,406	642,252	763	1,667	(39,734)	803,354
Profit for the period		-	-	-	-	38,261	38,261
Other comprehensive income/(loss)		-	2,132	-	(11,676)	-	(9,544)
Total comprehensive income/(loss)		-	2,132	-	(11,676)	38,261	28,717
Reclassification to retained earnings	12	-	(1,050)	-	-	1,050	-
Shares issued	11	3,445	-	-	-	-	3,445
Dividend paid	6	-	-	-	-	(27,320)	(27,320)
At 30 June 2009		201,851	643,334	763	(10,009)	(27,743)	808,196

The notes and accounting policies on pages 7 to 53 form part of and are to be read in conjunction with these disclosure financial statements.

Auckland International Airport Limited
Identified Airport Activities

Balance sheet

AS AT 30 JUNE 2010

	Notes	2010 $000	2009 $000
Non-current assets			
Property, plant and equipment	8	1,350,489	1,346,134
Derivative financial instruments	15	3,141	2,360
Other non-current assets		570	544
		1,354,200	1,349,038
Current assets			
Cash	9	14,609	14,744
Inventories		63	79
Prepayments		2,456	1,699
Accounts receivable	10	12,255	14,466
Taxation receivable		-	2,850
Derivative financial instruments	15	-	744
		29,383	34,582
Total assets		1,383,583	1,383,620
Shareholders' equity			
Issued and paid-up capital	11	208,406	201,851
Retained earnings	12(a)	(73,880)	(27,743)
Property, plant and equipment revaluation reserve	12(b)	649,761	643,334
Share-based payments reserve	12(c)	771	763
Cash flow hedge reserve	12(d)	(8,913)	(10,009)
		776,145	808,196
Non-current liabilities			
Term borrowings	14	365,986	369,903
Derivative financial instruments	15	10,667	12,954
Deferred tax liability	5	110,121	64,937
		486,774	447,794
Current liabilities			
Accounts payable and accruals	13	29,632	24,787
Taxation payable		3,837	-
Short-term borrowings	14	85,491	99,117
Provisions for noise mitigation	21	567	1,505
Derivative financial Instruments	15	1,137	2,221
		120,664	127,630
Total equity and liabilities		1,383,583	1,383,620

These disclosure financial statements have been prepared for the purposes of, and in accordance with the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 and were approved and adopted by the board on 24 November 2010.

Signed on behalf of the board by:

Joan Withers
Director, chair of the board

James Miller
Director, chair of the audit and risk committee

The notes and accounting policies on pages 7 to 53 form part of and are to be read in conjunction with these disclosure financial statements.

Auckland International Airport Limited
Identified Airport Activities

Cash flow statement

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $000	2009 $000
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		199,075	191,961
Income tax refunded		1,662	4,922
Interest received		937	1,542
		201,674	198,425
Cash was applied to:			
Payments to suppliers and employees		(63,592)	(65,673)
Income tax paid		(12,265)	(19,724)
Other taxes paid		(181)	(240)
Interest paid		(29,674)	(31,853)
		(105,712)	(117,490)
Net cash flow from operating activities	16	95,962	80,935
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of assets		1	85
		1	85
Cash was applied to:			
Purchase of property, plant and equipment		(36,584)	(53,900)
Interest paid – capitalised		(1,924)	(2,914)
		(38,508)	(56,814)
Net cash applied to investing activities		(38,507)	(56,729)
Cash flow from financing activities			
Cash was provided from:			
Increase in share capital	11	6,555	3,141
Increase in borrowings		1,101,166	1,739,045
		1,107,721	1,742,186
Cash was applied to:			
Decrease in borrowings		(1,124,988)	(1,724,487)
Dividends paid	12	(40,323)	(27,320)
		(1,165,311)	(1,751,807)
Net cash flow applied to financing activities		(57,590)	(9,621)
Net increase/(decrease) in cash held		(135)	14,585
Opening cash brought forward		14,744	159
Ending cash carried forward	9	14,609	14,744

The notes and accounting policies on pages 7 to 53 form part of and are to be read in conjunction with these disclosure financial statements.

Notes and accounting policies

For the year ended 30 June 2010

1. Corporate information

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

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

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

2. Summary of significant accounting policies

(a) Basis of preparation

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

Identified Airport Activities are defined as follows:

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

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

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

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

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

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

Notes and accounting policies

For the year ended 30 June 2010

(i) Hangars

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

(iii) Facilities and services for the storing of freight

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

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

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

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

(i) Passenger seating areas, thoroughfares and airbridges

(ii) Flight information and public address systems

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

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

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

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

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

Each segment also includes an allocation of supporting infrastructure.

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

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

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

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

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

Notes and accounting policies

For the year ended 30 June 2010

(b) Statement of compliance

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

The disclosure financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and International Financial Reporting Standards, as appropriate for profit-oriented entities, except in so far as the Regulations require reporting solely on the activities of the company comprising Identified Airport Activities, and that segment reporting complies with the Statement of Standard Accounting Practice No. 23 *Financial Reporting for Segments* issued by the Council of New Zealand Institute of Chartered Accountants in July 1989. The Identified Airport Activities as defined in 2(a) must also be treated as separate industry segments.

(c) New accounting standards and interpretations

The following significant changes to accounting policies have been adopted for new accounting standards and new interpretations in the preparation and presentation of the financial statements:

- *NZ IAS 1 Presentation of Financial Statements (Revised)* is effective for annual reporting periods beginning on or after 1 January 2009. The application of this revised standard did not affect any of the amounts recognised in the financial statements, but introduces the concept of comprehensive income in the presentation of financial statements and changes the presentation of the statement of changes in equity.

- Amendment to *NZ IFRS 7 Financial Instruments: Disclosures - Improving disclosures about financial instruments* is effective for periods beginning on or after 1 January 2009. The amended standard requires additional disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of the fair value measurement hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The amended standard results in additional disclosures with no impact on reported earnings.

The adoption of these standards and amendments does not have a material impact on the amounts recognised in these financial statements.

Unless stated above, new or revised Standards and Interpretations that have been approved but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2010. The adoption of these Standards and Interpretations is not expected to have a material recognition or measurement impact on the Company’s financial statements. These will be applied when they become mandatory.

(d) Segment reporting

An industry 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 industry segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular country or group of countries and is subject to risks and returns that are different than those of segments operating in other countries or groups of countries. The company does report identified activities, defined in 2(a) above, as required under Airport Authorities Act but these do not meet the industry segment test.

(e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Notes and accounting policies

For the year ended 30 June 2010

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

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

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

(g) Cash flow statement
The following explains the terms used in the cash flow statement:

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

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

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

(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.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with a default on receivables.

The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(i) Derivative financial instruments and hedging
The company uses derivative financial instruments such as interest rate swaps, forward rate agreements and forward foreign exchange contracts to hedge its risks associated with interest rates and foreign currency. 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.

The fair values of forward foreign exchange contracts are determined using forward exchange market rates at balance date. The fair values of interest rate swaps and forward rate agreements are determined using valuation techniques based on cash flows discounted to present value using current market interest rates.

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

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or

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

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

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

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

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

Cash flow hedges
Cash flow hedges are currently applied to future interest cash flows on variable rate bank loans and commercial paper. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income and accumulated as a separate component of equity in the cash flow hedge reserve, 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 company determines the classification of its financial assets on initial recognition and, when appropriate, re-evaluates this designation at each balance date.

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

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

Notes and accounting policies

For the year ended 30 June 2010

(k) Property, plant and equipment

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

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

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

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

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

Revaluations

Revaluation increments are recognised in other comprehensive income and accumulated as a separate component of equity 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 in other comprehensive income and accumulated as a separate component of equity 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 - 50 years
Infrastructural assets	5 - 80 years
Runway, taxiways and aprons	12 - 40 years
Vehicles, plant and equipment	3 - 10 years

Disposal

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

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

Notes and accounting policies

For the year ended 30 June 2010

(l) Leases

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

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

(m) Impairment of non-financial assets

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

(n) Accounts payable and accruals

Accounts payable and accruals are not interest bearing and are stated at their fair value. Due to their short-term nature they are not discounted to net present value. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) 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 company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(p) 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.

(q) Provisions

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

Provision for noise mitigation

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

Notes and accounting policies

For the year ended 30 June 2010

(r) Employee benefits

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

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

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

(s) Share-based payments

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

Equity-settled transactions

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

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

Cash-settled transactions

The cost of cash-settled transactions with employees is spread over the vesting period to recognise services received. The fair value of cash-settled transactions is determined at each reporting date and the change in fair value is recognised in the income statement. The fair value takes into account the terms and conditions on which the award was granted, and the extent to which employees have rendered services to date.

(t) Revenue recognition

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

Rendering of services

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

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

Interest income

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

Dividends

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

(u) 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.

Notes and accounting policies

For the year ended 30 June 2010

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

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

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

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

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

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

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

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

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

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

(v) Contributed equity

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

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

(w) Earnings per share

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares during the reporting period assumed to have been issued in relation to dilutive potential ordinary shares.

Notes and accounting policies

For the year ended 30 June 2010

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 that have the most significant effect on the amounts recognised, and estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

(a) Carrying value of property, plant and equipment

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

(b) Carrying value of deferred taxation

The Company calculates the value of deferred taxation in accordance with NZ IAS 12 *Income Taxes* (“IAS 12”). IAS 12 requires deferred taxation to be provided on all temporary differences at the balance date between the tax carrying value of assets and liabilities and the accounting carrying value for financial reporting purposes. In May 2010, the Government announced changes to the tax legislation to remove the ability to depreciate building structures for tax deductions when the life of the building is equal to or greater than 50 years. For the Identified Airport Activities the application of this taxation change under IAS 12 creates a tax carrying value of nil from 1 July 2011 onwards for these buildings, increases the deferred taxation liability by $50.338 million, including the future change in the income tax rate from 30% to 28%, and creates a one-off, non-cash accounting adjustment to taxation expense for deferred tax on buildings for the year ended 30 June 2010 of $50.338 million.

The non-cash accounting adjustment to taxation expense and to deferred taxation, noted above, complies with NZ IFRS as required by the Financial Reporting Act 1993. The application of the current IAS 12, to revalued property, plant and equipment, for jurisdictions like New Zealand where no capital gains tax regime exists, creates a large deferred taxation liability which does not reflect taxation payable if the assets were for sale or sold.

The directors disagree with the appropriateness of the one-off, non-cash adjustment to taxation expense and deferred taxation referred to above that arises from obligatory compliance with NZ IFRS and thus IAS 12. The directors consider it appropriate to provide the additional information set out in this note and note 5 being information that the directors consider is integral to the truth and fairness of the financial statements. The directors note that the International Accounting Standards Board currently is reviewing the application of IAS 12.

(c) Allocation methodologies

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

Notes and accounting policies

For the year ended 30 June 2010

4. Profit for the year

	2010 $000	2009 $000
Staff expenses comprise:		
Salaries and wages	19,763	19,050
Other employee benefits	1,892	1,576
Share-based payment (refer note 23)	167	296
Defined contribution superannuation	544	518
Restructuring costs	835	3,319
Other staff costs	1,800	2,018
	25,001	26,777
Other expenses include:		
Audit fees	152	133
Auditor's other attestation fees	47	55
Auditor's tax compliance fees	52	80
Directors' fees	676	529
Donations	6	4
Bad and doubtful debts written off	3	-
Doubtful debts - change in provision	71	263
Loss on disposal of property, plant and equipment	25	877
Interest expenses and other finance costs comprise:		
Interest on bonds and related hedging instruments	14,267	14,021
Interest on bank facilities and related hedging instruments	14,980	17,147
Interest on commercial paper and related hedging instruments	2,179	3,996
	31,426	35,164
Less capitalised borrowing costs	(1,924)	(2,914)
	29,502	32,250
Interest rate for capitalised borrowing costs	6.86%	7.52%

Interest on financial liabilities that are not fair value through profit or loss was $24.449 million for the year ended 30 June 2010 (2009: $32.682 million). This represents the interest charged on bonds, bank facilities and commercial paper and associated fees and issue costs, but excludes interest on related hedging instruments.

Auckland International Airport Limited
Identified Airport Activities

Notes and accounting policies

For the year ended 30 June 2010

5. Taxation

	2010 $000	2009 $000
(a) Income tax		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	18,100	18,601
Income tax over provided in prior year	(783)	(1,487)
Deferred income tax		
Movement in deferred tax	(905)	1,423
Reduction in future corporate tax rate (excluding buildings)	273	-
Other taxation expense	16,685	18,537
Movement in deferred tax relating to legislative changes to tax depreciation on buildings	52,959	-
Reduction in future corporate tax rate	(2,621)	-
Deferred taxation adjustment on buildings	50,338	-
Total tax expense	67,023	18,537

(b) Deferred taxation taken directly to other comprehensive income		
Tax effect of movements in the property, plant and equipment revaluation reserve	(100)	(196)
Tax effect of movements in the cash flow hedge reserve	(957)	4,213
Reduction in corporate tax rate	5,605	-
Deferred tax credit reported in equity	4,548	4,017

	2010 $000	2009 $000
(c) Reconciliation between prima facie taxation and tax expense		
Profit before taxation	59,664	56,798
Prima facie taxation at 30%	17,899	17,039
Adjustments:		
Income tax over provided in prior year	(783)	(1,487)
Prior year deferred tax movements in relation to property, plant and equipment	-	2,985
Other	(704)	-
Reduction in future corporate tax rate (excluding buildings)	273	-
Other taxation expense	16,685	18,537
Movement in deferred tax related to legislative adjustment to tax depreciation on buildings	52,959	-
Reduction in future corporate tax rate	(2,621)	-
Deferred taxation adjustment on buildings	50,338	-
Total taxation expense	67,023	18,537

Notes and accounting policies

For the year ended 30 June 2010

(d) Deferred tax assets and liabilities

	Balance 1 July 2009	Movement in income	Movement in other comprehensive income	Balance 30 June 2010
	$000	$000	$000	$000
Deferred tax liabilities				
Property, plant and equipment	70,842	49,701	(5,722)	114,821
Other	60	16	-	76
Deferred tax liabilities	70,902	49,717	(5,722)	114,897
Deferred tax assets				
Cash flow hedge	4,213	-	(1,174)	3,039
Provisions and accruals	1,752	(15)	-	1,737
Deferred tax assets	5,965	(15)	(1,174)	4,776
Net deferred tax liability	**64,937**	**49,732**	**(4,548)**	**110,121**

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

The reduction in the corporate tax rate from 30% to 28%, effective for the company 1 July 2011, 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 other comprehensive income consistent with the underlying items that give rise to the deferred tax.

The change in tax legislation also removes the ability to depreciate building structures for income tax purposes when the life of the building is greater than 50 years. This has resulted in a one off, non-cash accounting adjustment increasing the deferred tax liability and deferred tax expense. The increase in deferred tax liability and expense is $50.338 million, including the future change in the income tax rate from 30% to 28%, and has no impact on the company's underlying profitability and cash flows in the year ended 30 June 2010. In effect, the accounting charge represents a one off loss relating to the forfeiture of all the future tax relief on expenditure which was incurred before the changes were made. The accounting treatment will be neutral in the long term as the loss will unwind over the life of the underlying assets.

The value of deferred taxation for Identified Airport Activities is calculated in accordance with NZ IAS 12 *Income Taxes* ("IAS 12"). IAS 12 requires the adjustment to deferred taxation by $50.338 million for the change in tax depreciation on existing buildings.

Notes and accounting policies

For the year ended 30 June 2010

(e) Imputation credits

	2010 $000	2009 $000
Balance at beginning of year	10,199	10,686
Income tax paid	12,265	17,605
Credits attached to dividends paid	(15,978)	(13,170)
Income tax refunded	(1,662)	(4,922)
Balance at end of year	4,824	10,199

6. Distribution to shareholders

	Dividend payment date	2010 $000	2009 $000
2008 final dividend of 2.45 cps	24 October 2008	-	29,990
2009 interim dividend of 3.75 cps	27 March 2009	-	45,936
2009 final dividend of 4.45 cps	23 October 2009	54,523	-
2010 interim dividend of 3.75 cps	31 March 2010	48,844	-
Total dividends paid		103,367	75,926
Less: amounts attributed to Non Identified Airport Activities		(63,044)	(48,606)
Dividends attributed to Identified Airport Activities		**40,323**	**27,320**

Supplementary dividends of $3.340 million (2009: $2.805 million) are not included in the above total dividends as the company receives an equivalent tax credit from the Inland Revenue Department.

On 26 August 2010, the directors approved the payment of a 2010 fully imputed final dividend of 4.45 cents per share (2009: 4.45 cents per share) that was paid on 22 October 2010. A portion of this final dividend will be attributed to Identified Airport Activities in the 2011 reporting period.

The interim and final dividends relating to the 2010 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 2009 financial year.

7. Earnings per share

The earnings used in calculating basic and diluted earnings per share is a $7.359 million loss (2009: $38.261 million profit). Earnings per share includes the impact on deferred taxation related to the legislative change on tax deductions for building depreciation.

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

	2010 Shares	2009 Shares
For basic earnings per share	1,257,772,835	1,224,376,880
Effect of dilution of share options	23,224	182,892
For dilutive earnings per share	1,257,796,059	1,224,559,772

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

Notes and accounting policies

For the year ended 30 June 2010

8. Property, plant and equipment

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

Year ended 30 June 2010	Land $000	Buildings and services $000	Infra-structure $000	Runway, taxiways and aprons $000	Vehicles, plant and equipment $000	Total $000
Balances as at 1 July 2009						
At fair value	565,296	443,910	128,186	265,122	-	1,402,514
At cost	-	-	-	-	40,971	40,971
Work in progress at cost	-	7,497	217	24,007	1,467	33,188
Accumulated depreciation	-	(55,180)	(13,348)	(31,341)	(30,670)	(130,539)
Balances as at 1 July 2009	**565,296**	**396,227**	**115,055**	**257,788**	**11,768**	**1,346,134**
Additions	627	28,131	2,602	5,442	4,363	41,165
Disposals	-	-	(28)	(5)	-	(33)
Reclassifications due to allocation changes	1,714	2,168	821	(1,318)	4,005	7,390
Depreciation	-	(23,067)	(5,203)	(10,879)	(5,018)	(44,167)
Movement to 30 June 2010	**2,341**	**7,232**	**(1,808)**	**(6,760)**	**3,350**	**4,355**
Balances as at 30 June 2010						
At fair value	567,637	471,487	130,253	266,010	-	1,435,387
At cost	-	-	-	-	50,184	50,184
Work in progress at cost	-	12,979	883	27,162	1,089	42,113
Accumulated depreciation	-	(81,007)	(17,889)	(42,144)	(36,155)	(177,195)
Balances as at 30 June 2010	**567,637**	**403,459**	**113,247**	**251,028**	**15,118**	**1,350,489**

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

Additions for the year ended 30 June 2010 include capitalised interest of $1.924 million (2009: $2.914 million)

Notes and accounting policies

For the year ended 30 June 2010

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

Where the fair value of an asset is able to be determined by reference to market based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost is used to determine fair value. Land, buildings and services, infrastructure, runway, taxiways and aprons acquired subsequent to 30 June 2006 are carried at cost less depreciation which is considered to be their fair value as at 30 June 2010.

The intention of the company is to undertake a revaluation of property, plant and equipment in the year ending 30 June 2011.

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

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

Notes and accounting policies

For the year ended 30 June 2010

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

	2010 $000	2009 $000
Land		
Cost	121,268	121,697
Accumulated depreciation	-	-
Net carrying amount	**121,268**	**121,697**
Buildings and services		
Cost	543,294	516,542
Accumulated depreciation	(249,235)	(223,393)
Net carrying amount	**294,059**	**293,149**
Infrastructure		
Cost	105,050	101,068
Accumulated depreciation	(34,892)	(31,681)
Net carrying amount	**70,158**	**69,387**
Runway, taxiways and aprons		
Cost	291,343	287,592
Accumulated depreciation and impairment	(126,067)	(115,410)
Net carrying amount	**165,276**	**172,182**

9. Cash

	2010 $000	2009 $000
Short-term deposits	14,677	15,396
Cash and bank balances	(68)	(652)
	14,609	14,744

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

During the year, surplus funds were deposited on the overnight money market and term deposit at a rate of 2.50% to 4.15%. (2009: at a rate of 2.50% to 7.50%).

10. Receivables

	2010 $000	2009 $000
Trade receivables	1,345	3,513
Less: Provision for doubtful debts	(336)	(265)
Net trade receivables	1,009	3,248
Revenue accruals and other receivables	11,246	11,218
	12,255	14,466

Notes and accounting policies

For the year ended 30 June 2010

(a) Allowance for impairment

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. Doubtful debts of $0.336 million (2009: $0.265 million) have been recognised in the current year. These amounts have been included in the other expense item. No individual amount within the provision for doubtful debts is material.

Movements in the provision for impairment loss were as follows:

	2010 $000	2009 $000
At 1 July	265	2
Change in provision for the year	74	263
Amounts written off	(3)	-
At 30 June	336	265

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral in the form of performance bonds are held as security for some customers whose credit rating or history indicates that this would be prudently required. The Company considers that there has been no significant deterioration in the credit quality of receivables which are neither past due nor impaired.

Notes and accounting policies

For the year ended 30 June 2010

11. Issued and paid-up capital

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

	2010 $000	2009 $000
Opening issued and paid-up capital at 1 July	201,851	198,406
Options exercised during the year	779	3,141
Shares issued to employee share scheme	-	304
Shares issued under the dividend reinvestment plan	5,776	-
Closing issued and paid-up capital at 30 June	**208,406**	**201,851**

The number of issued and paid up shares of the company as at 30 June 2010 was 1,310,392,831 (2009: 1,225,243,239).

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

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

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

In February 2010 Auckland Airport introduced a dividend reinvestment plan. Under the plan, shareholders can elect to receive the value of their dividends in additional shares. In the year ended 30 June 2010, 7,899,175 shares with a total value of $14.806 million were issued in lieu of a cash dividend (30 June 2009: nil). The value allocated to Identified Airport Activities was $5.776 million.

12. Retained earnings and reserves

(a) Movements in retained earnings were:

	2010 $000	2009 $000
Balance at 1 July	(27,743)	(39,734)
(Loss)/profit after taxation	(7,359)	38,261
Ordinary dividends paid	(40,323)	(27,320)
Reclassification from revaluation reserve	1,545	1,050
Balance at 30 June	**(73,880)**	**(27,743)**

(b) Property, plant and equipment revaluation reserve

	2010 $000	2009 $000
Balance at the beginning of the year	643,334	642,252
Reclassification to retained earnings	(1,545)	(1,050)
Property, plant and equipment revaluation movements due to allocation changes	2,250	2,328
Movement in deferred tax	5,722	(196)
Balance at the end of the year	**649,761**	**643,334**

Notes and accounting policies

For the year ended 30 June 2010

(c) Share-based payments reserve

	2010 $000	2009 $000
Balance at the beginning of the year	763	763
Employee share purchase plan	8	-
Balance at the end of the year	**771**	**763**

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

(d) Cash flow hedge reserve

	2010 $000	2009 $000
Balance at the beginning of the year	(10,009)	1,667
Fair value change in hedging instrument	(6,335)	(13,375)
Transfer to income statement	8,605	(2,514)
Movement in deferred tax	(1,174)	4,213
Balance at the end of the year	**(8,913)**	**(10,009)**

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

13. Accounts payable and accruals

	2010 $000	2009 $000
Employee entitlements	3,758	3,619
Phantom option plan accrual (refer note 23)	1,470	1,404
GST payable	1,534	(49)
Property, plant and equipment retentions and payables	9,512	6,861
Trade payables	977	1,712
Other payables and accruals	12,381	11,240
Total accounts payable and accruals	**29,632**	**24,787**

Notes and accounting policies

For the year ended 30 June 2010

14. Borrowings

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

	Maturity	Coupon	2010 $000	2009 $000
Current				
Commercial paper	< 3 months	Floating	81,780	72,824
Bonds	29/07/2009	6.67%	-	67,074
Floating rate notes	29/07/2009	Floating	-	8,100
Bank facility	10/03/2010	Floating	-	125,000
Bank facility	10/03/2011	Floating	125,000	-
Total short-term borrowings			206,780	272,998
Non-current				
Bank facility	10/03/2011	Floating	-	125,000
Bank facility	31/01/2012	Floating	275,000	270,000
Bank facility	10/03/2013	Floating	50,000	-
Floating rate notes	29/07/2011	Floating	5,000	5,000
Bonds	29/07/2011	6.83%	72,047	73,715
Bonds	07/11/2012	7.19%	50,000	50,000
Bonds	28/02/2014	7.25%	50,000	50,000
Bonds	27/11/2014	7.00%	127,192	-
Bonds	07/11/2015	7.25%	100,000	100,000
Bonds	10/08/2016	8.00%	25,987	-
Bonds	15/11/2016	8.00%	129,992	129,992
Total term borrowings			885,218	803,707
Total				
Commercial paper			81,780	72,824
Bank facilities			450,000	520,000
Floating rate notes			5,000	13,100
Bonds			555,218	470,781
Total borrowings			1,091,998	1,076,705
Summary of maturities				
Due less than 1 year			206,780	272,998
Due 1 to 3 years			452,047	473,715
Due 3 to 5 years			177,192	100,000
Due greater than 5 years			255,979	229,992
			1,091,998	1,076,705

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

Notes and accounting policies

For the year ended 30 June 2010

Bank facilities

During December 2009, the company established a new bilateral $150.000 million standby bank facility provided by Bank of Tokyo-Mitsubishi UFJ to refinance the second tranche of the dual tranche standby facility maturing on 10 March 2010. This new facility remains undrawn as at 30 June 2010 and matures on 10 March 2013. The purpose of the standby facilities is to support the commercial paper programme and to provide liquidity support for general working capital.

In March 2008, the company established a dual tranche standby facility agreement with a syndicate of banks for $200.000 million. The first tranche was for $100.000 million and was cancelled on 24 August 2009. The second tranche of $100.000 million was cancelled in February 2010 in advance of its scheduled expiry date of 10 March 2010.

Also in March 2008, the company established a cash advances facility agreement with a syndicate of banks for $350.000 million. The facility contained 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. The company repaid the $125.000 million facility in November 2009 and February 2010 in advance of its scheduled expiry date of March 2010. The three-year, $125.000 million facility is fully drawn as at 30 June 2010, and the five-year, $100.000 million facility is drawn up to $50.000 million as at 30 June 2010.

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 $175.000 million, both of which are fully drawn as at 30 June 2010. In February 2007, the company extended the expiration of this bank facility to 31 January 2012.

Borrowings under the bank facilities and standby facilities are supported by a negative pledge deed.

The rates on bank facilities during the year have been between 2.94% and 3.93% (2009: 3.13% and 9.35%) and at year end the rates were between 3.01% and 3.93% (2009: 3.13% and 3.56%).

Term bonds

During October and November 2009, the company raised $125.000 million through a public bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 7.00% with a maturity of 27 November 2014.

In August 2009, the company raised $25.000 million through a private placement bond issue. The bonds are unsecured and unsubordinated and pay an interest rate of 8.00% per annum with a maturity of 10 August 2016.

During January and February 2009, the company raised $50.000 million through a follow-up of the retail bond issue in October and November 2008. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 7.25% with a maturity of 28 February 2014.

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

Borrowings under the bond programme are supported by a master trust deed.

Floating rate notes

Floating rate notes are based on the 90 day bank bill rate plus a margin of 30 basis points (2009: 24 to 30 basis points). During the year ended 30 June 2010 the range of interest rates has been between 3.01% and 3.31% (2009: 3.25% and 9.21%) and at year end the rate was 3.01% (2009: between 3.25% and 3.31%).

Commercial paper

Commercial paper rates are set through a tender process and during the year ended 30 June 2010 the range of weighted average interest rates for each issue has been between 3.00% and 3.61% (2009: 3.40% and 9.29%) and at year end the rates were between 3.00% and 3.41% (2009: 3.40% and 3.61%).

Notes and accounting policies

For the year ended 30 June 2010

Money market facilities
The money market rates during the year ended 30 June 2010 have been between 3.05% and 3.30% (2009: 5.25% and 9.20%).

During the current and prior years, there were no defaults or breaches on any of the loans.

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

	2010 $000	2009 $000
Current		
Money market	-	-
Commercial paper	33,811	26,440
Floating rate notes	-	2,941
Bank facility	51,680	45,384
Bonds	-	24,352
Total short-term borrowings	85,491	99,117
Non-current		
Bank facility	134,369	181,797
Floating rate notes	2,067	2,301
Bonds	229,550	185,805
Total term borrowings	365,986	369,903
Total borrowings attributed to Identified Airport Activities	451,477	469,020
Borrowings attributed to Non-Identified Airport Activities	640,521	607,685
Total borrowings of the company	1,091,998	1,076,705

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

15. Derivative financial instruments

The company is subject to interest rate risk on the company's borrowings. To manage interest rate risk the company has utilised interest rate swaps that are accounted for as cash flow hedges or fair value hedges.

At balance date the fair value of derivatives attributable to Identified Airport Activities are as follows:

	2010 $000	2009 $000
Current assets		
Interest rate swaps – fair value hedges	-	744
Total	-	744
Non-current assets		
Interest rate swaps – fair value hedges	3,141	2,360
Total	3,141	2,360
Current liabilities		
Interest rate swaps– cash flow hedges	1,137	2,221
Total	1,137	2,221
Non-current liabilities		
Interest rate swaps– cash flow hedges	10,667	12,954
Total	10,667	12,954

Notes and accounting policies

For the year ended 30 June 2010

Interest rate swaps

Cash flow hedges
At 30 June 2010, 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 2010 is $152.973 million (2009: $214.579 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on bank facilities and commercial paper. The interest payment frequency on these borrowings is quarterly.

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

Fair value hedges
At 30 June 2010, 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 2010 is $59.949 million (2009: $60.569 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:

	2010 $000	2009 $000
Gains/(losses) on the fixed interest bonds	(567)	(3,415)
Gains/(losses) on the derivatives	567	3,415

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

	2010 $000	2009 $000
Profit after taxation	(7,359)	38,261
Non-cash items:		
Depreciation	44,167	42,181
Bad debts and doubtful debts	74	(95)
Deferred taxation expense	49,733	1,423
Share based payments	8	-
Items not classified as operating activities:		
Loss on asset disposals	25	877
(Increase)/decrease in property, plant and equipment retentions and payables	(2,650)	2,205
Movement in working capital:		
(Increase)/decrease in current assets	1,395	(2,327)
(Increase)/decrease in taxation receivable	6,687	2,313
Increase/(decrease) in accounts payable	3,882	(3,903)
Net cash flow from operating activities	95,962	80,935

Notes and accounting policies

For the year ended 30 June 2010

17. Financial instruments

Fair value

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

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

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

The carrying value approximates the fair value of cash, accounts receivable, other non-current assets, derivative financial instruments, accounts payable and accruals, provisions and other term liabilities. The carrying amount of the company's current and non-current borrowings issued at floating rates approximates their fair value. The fair value of the bonds is based on the quoted market prices for these instruments at balance date.

	2010 Carrying amount $000	2010 Fair value $000	2009 Carrying amount $000	2009 Fair value $000
Bonds	229,550	240,164	210,157	211,976

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets;
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data

The company's derivative financial instruments (see note 15) are all level 2 financial instruments and the fair value of these instruments is determined by using valuation techniques. The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows based on observable interest yield curves or foreign exchange market prices.

18. Financial risk management objectives and policies

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

(a) Credit risk
The maximum exposure to credit risk at 30 June is equal to the carrying value for cash, accounts receivable, dividend receivable, other non-current assets and derivative financial instruments.

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

The company's credit risk is 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 total value of performance bonds for the total company is $0.531 million (2009: $0.438 million). There are no significant concentrations of credit risk.

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

To manage the liquidity risk, the company's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2010, total facility headroom was $200.000 million (2009: $305.000 million). The company's policy also requires the spreading of debt maturities.

A. Non-derivative financial liabilities
The following liquidity risk disclosures reflects total undiscounted repayments and interest resulting from recognised financial liabilities as at 30 June 2010 for the company. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Trade payables and other financial liabilities mainly originate from the financing of assets used in the company's ongoing operations such as property, plant and equipment, and investments in working capital.

Liquid non-derivative assets comprising cash and receivables are considered in the company's overall liquidity risk. The company ensures that sufficient liquid assets or committed funding facilities are available to meet all the required short term cash payments and expects borrowings to roll over.

Year ended 30 June 2010	**< 1 year $000**	**1 to 3 years $000**	**3 to 5 years $000**	**>5 years $000**	**Total $000**
Liquid financial assets					
Cash	14,609	-	-	-	14,609
Accounts receivable	12,255	-	-	-	12,255
Other non-current assets	570	-	-	-	570
Total liquid financial assets	**27,434**	**-**	**-**	**-**	**27,434**
Attributed to Identified Airport Activities	27,434	-	-	-	27,434
Attributed to Non-Identified Airport Activities	162,687	-	-	-	162,687
Total liquid financial assets	**190,121**	**-**	**-**	**-**	**190,121**

Notes and accounting policies

For the year ended 30 June 2010

	< 1 year $000	1 to 3 years $000	3 to 5 years $000	>5 years $000	Total $000
Financial Liabilities					
Accounts payable and accruals	29,632	-	-	-	29,632
Provisions	567	-	-	-	567
Commercial paper	33,902	-	-	-	33,902
Bank facilities	51,680	134,368	-	-	186,048
Floating rate notes	-	2,067	-	-	2,067
Bonds	-	49,613	72,352	105,424	227,389
Interest	23,581	33,936	22,350	7,912	87,779
Total financial liabilities	**139,362**	**219,984**	**94,702**	**113,336**	**567,384**
Attributed to Identified Airport Activities	139,362	219,984	94,702	113,336	567,384
Attributed to Non-Identified Airport Activities	171,056	312,098	134,356	160,794	778,304
Total financial liabilities	**310,418**	**532,082**	**229,058**	**274,130**	**1,345,688**

Year ended 30 June 2009	**< 1 year $000**	**1 to 3 years $000**	**3 to 5 years $000**	**>5 years $000**	**Total $000**
Liquid financial assets					
Cash	14,744	-	-	-	14,744
Accounts receivable	14,466	-	-	-	14,466
Other non-current assets	544	-	-	-	544
Total liquid financial assets	**29,754**	**-**	**-**	**-**	**29,754**
Attributed to Identified Airport Activities	29,754	-	-	-	29,754
Attributed to Non-Identified Airport Activities	23,061	-	-	-	23,061
Total liquid financial assets	**52,815**	**-**	**-**	**-**	**52,815**
Financial Liabilities					
Accounts payable and accruals	24,787	-	-	-	24,787
Provisions	1,505	-	-	-	1,505
Commercial paper	26,504	-	-	-	26,504
Bank facilities	45,384	181,797	-	-	227,181
Floating rate notes	2,941	2,301	-	-	5,242
Bonds	24,289	32,217	46,025	105,853	208,384
Interest	16,816	33,169	19,615	15,920	85,520
Total financial liabilities	**142,226**	**249,484**	**65,640**	**121,773**	**579,123**
Attributed to Identified Airport Activities	142,226	249,484	65,640	121,773	579,123
Attributed to Non-Identified Airport Activities	221,348	292,585	76,977	142,810	733,720
Total financial liabilities	**363,574**	**542,069**	**142,617**	**264,583**	**1,312,843**

Notes and accounting policies

For the year ended 30 June 2010

B. Derivative financial liabilities

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

	< 1 year	**1 to 3 years**	**3 to 5 years**	**>5 years**	**Total**
As at 30 June 2010	**$000**	**$000**	**$000**	**$000**	**$000**
Non-current derivative assets – fair value hedge	1,584	1,355	193	188	3,320
Current derivative liabilities – cash flow hedge	(1,152)	-	-	-	(1,152)
Non-current derivative liabilities – cash flow hedge	(3,814)	(4,353)	(2,086)	(1,504)	(11,757)
Total	**(3,382)**	**(2,998)**	**(1,893)**	**(1,316)**	**(9,589)**
Attributed to Identified Airport Activities	(3,382)	(2,998)	(1,893)	(1,316)	(9,589)
Attributed to Non-Identified Airport Activities	(3,896)	(4,254)	(2,685)	(1,866)	(12,701)
Total	**(7,278)**	**(7,252)**	**(4,578)**	**(3,182)**	**(22,290)**

	< 1 year	**1 to 3 years**	**3 to 5 years**	**>5 years**	**Total**
As at 30 June 2009	**$000**	**$000**	**$000**	**$000**	**$000**
Current derivative assets – fair value hedge	746	-	-	-	746
Non-current derivative assets – fair value hedge	1,114	1,320	-	-	2,434
Current derivative liabilities – cash flow hedge	(2,253)	-	-	-	(2,253)
Non-current derivative liabilities – cash flow hedge	(6,830)	(5,397)	(622)	(869)	(13,718)
Total	**(7,223)**	**(4,077)**	**(622)**	**(869)**	**(12,791)**
Attributed to Identified Airport Activities	(7,223)	(4,077)	(622)	(869)	(12,791)
Attributed to Non-Identified Airport Activities	(9,103)	(5,137)	(784)	(1,095)	(16,119)
Total	**(16,326)**	**(9,214)**	**(1,406)**	**(1,964)**	**(28,910)**

Notes and accounting policies

For the year ended 30 June 2010

(c) Interest rate risk

The company's exposure to market risk for changes in interest rates relates primarily to the company's short and long term borrowings. Borrowings issued at variable interest rates expose the company to changes in interest rates. Borrowings issued at fixed rates expose the company to changes in the fair value of the borrowings.

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

At year-end 74% (2009: 79%) of the borrowings (including the effects of the derivative financial instruments and cash and funds on deposit) 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 eight years from 30 June 2010.

At balance date, Identified Airport Activities had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk that are not designated in cash flow hedges:

	2010 $000	2009 $000
Financial assets		
Cash	14,609	14,744
	14,609	14,744
Financial liabilities		
Floating rate notes	2,067	5,796
Bonds in fair value hedge	59,949	60,569
Bank facilities	62,016	46,455
Commercial paper	4,961	1,327
	128,993	114,147
Net exposure	**114,384**	**99,403**
Attributed to Identified Airport Activities	114,384	99,403
Attributed to Non-Identified Airport Activities	161,564	124,277
Net exposure	**275,948**	**223,680**

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

	2010 $000	2009 $000
Increase in interest rates of one per cent		
Effect on profit before tax	(1,174)	(972)
Effect on retained earnings	(349)	(680)
Effect on cash flow hedge reserve	4,535	6,329
Decrease in interest rates of one per cent		
Effect on profit before tax	1,174	972
Effect on retained earnings	349	680
Effect on cash flow hedge reserve	(4,799)	(6,706)

Significant assumptions used in the interest rate sensitivity analysis include:

- Effect on profit before tax and effect on retained earnings is based on total net floating rate debt and funds on deposit as at 30 June 2010 of $114.305 million (2009: $98.666 million). An interest rate of plus and minus 1% has therefore been applied to this floating rate debt to demonstrate the sensitivity of interest rate risk.
- Tax rate used to calculate the effect on retained earnings as at 30 June 2010 is 30% (2009: 30%).
- Effect on cash flow hedge reserve is the movement in valuation of derivatives in a cash flow hedge relationship as at 30 June due to increase and decrease in interest rates. All derivatives which are 100% effective as at 30 June 2010 are assumed to remain 100% effective until maturity, therefore any movement in these derivative valuations are taken to the cash flow hedge reserve.

(d) Capital risk management

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

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

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

The gearing ratio is calculated as borrowings divided by borrowings plus shareholders' equity. The gearing ratio as at 30 June 2010 is 36.8% (2009: 36.7%). The current long-term credit rating of Auckland Airport by Standard and Poor's at 30 June 2010 is A- Stable Outlook (2009: A- Stable Outlook).

19. Commitments

(a) Property, plant and equipment commitments

The company had contractual obligations, attributable to Identified Airport Activities, to purchase or develop property, plant and equipment for $2.803 million at balance date (2009: $15.086 million) principally relating to the second runway development and the 1st floor re-development of the international terminal.

(b) Operating lease commitments receivable – company as lessor

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

These non-cancellable leases have remaining terms of between one month and 18 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

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

	2010	**2009**
	$000	**$000**
Within one year	15,822	16,280
After one year but no more than five years	47,979	48,067
After more than five years	38,259	43,845
Total minimum lease payments receivable	**102,060**	**108,192**

Notes and accounting policies

For the year ended 30 June 2010

20. Contingent liabilities

Noise insulation
In December 2001, the Environment Court ratified an agreement that had been reached between Manukau City Council, the company and other interested parties on the location and future operation of a second runway to the north and parallel to the existing runway. Construction of the second runway has commenced but on 28 August 2009 Auckland Airport announced that this construction had been deferred for 12 months due to economic conditions at that time. Auckland Airport has gone through extensive consultation with the airline industry and a review of capacity management on the existing runway. Subsequent to the financial year end a decision has been made to extend the deferral of the construction of the second runway for a few more years.

Approvals for the second runway include a number of obligations on the company to mitigate the impacts of aircraft noise on the local community. The obligations include the company offering certain acoustic treatment packages to existing homes and schools within defined areas. Noise levels are monitored continually, and as the noise impact area increases, offers will need to be made. The obligation does not extend to new houses. Overall, it is estimated that approximately 4,000 homes will eventually be offered assistance.

As it is not possible to accurately predict the rate of increase in aircraft noise levels over time, nor the rate of acceptance of offers of treatment to homeowners, the company cannot accurately predict the overall cost or timing of acoustic treatment. It is estimated that, overall, further costs would not exceed $11.000 million. Pursuant to the aeronautical pricing consultation process between the company and its substantial customers completed on 2 July 2007, future noise costs will be shared between the company and the airlines on a fair and equitable basis. Aeronautical pricing is reviewed at least every five years.

21. Provisions for noise mitigation

Since 2005, the company has made acoustic treatment offers to a total of 2,700 houses and five schools. Homeowners of 228 homes and five schools have accepted these offers.

There were 1,055 offers made to homeowners in May 2009. These offers were open for 12 months and have now expired. Of the 1,055 offers made, 67 were accepted by homeowners.

In April 2010, the company made offers to the owners of 177 homes. These offers are open for 12 months. As at 30 June 2010, the company has received acceptances from the owners of seven 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.

	2010	**2009**
	$000	**$000**
Opening balance	1,505	3,165
Provisions made in the period	-	233
Unused amounts reversed in the period	-	-
Expenditure in the period	(938)	(1,893)
	567	**1,505**

22. Related party disclosures

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

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 2010, the Company has not made any allowance for impairment loss relating to amounts owed by related parties (2009: $nil).

The company has transactions with other companies in which there are common directorships. All transactions with these entities have been entered into on an arms-length commercial basis, without special privileges, with the exception of the loan to Auckland Airport Limited which is interest free.

(b) Key management personnel compensation
The table below includes the remuneration of directors and the senior management team attributed to Identified Airport Activities:

	2010 $000	**2009 $000**
Directors' fees	676	528
Senior management's salary and other short-term benefits	2,290	2,594
Termination payments	-	554
Senior management's share-based payment	754	13
Total key management personnel compensation	**3,720**	**3,689**

During the year ended 30 June 2010 two additional directors were appointed.

23. Share-based payment plans

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

	2010 $000	**2009 $000**
Expenses from equity-settled share-based payments:		
Employee share purchase plan	8	-
Expense from cash-settled share-based payments:		
Phantom option plan	167	296
Total expense from share-based payment transactions	**175**	**296**

(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 total amount payable by the purchase plan to the company at balance date is $0.223 million (2009: $0.390 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 2010 are J Nicholl, S Robertson and C Spillane. J Nicholl is the general manager of human resources, S Robertson is the chief financial officer and C Spillane is general manager of corporate affairs of Auckland International Airport Limited. The trustees are appointed and can be removed by the directors.

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

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

	2010 Shares	2009 Shares
Employee allocation - May 2009		
Opening balance	284,100	-
Shares issued during the year	-	285,600
Shares fully paid and allocated during the year	(12,000)	(1,500)
Shares forfeited during the year	(19,100)	-
Balance at end of year	**253,000**	**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.

	2010 Shares	2009 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
Balance of unallocated shares from May 2009 share allocation	19,100	-
Total unallocated shares held by the plan	165,244	146,144
Total ordinary shares held at 30 June	**418,244**	**430,244**

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 0.0319% (2009: 0.0351%) of the total company's shares on issue.

(b) Executive share option incentive plan

As part of previous executive remuneration packages, the company 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 were aligned. The company had issued options for shares in the company to certain employees under the terms of the option plan. The holder of an option was entitled to subscribe for one fully paid ordinary share for each option. The exercise price was 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 had paid during this period. The number of options granted before 2003 had been reduced for the capital repayment of seven in every twenty five shares made in October 2002. The number of options had 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 were exercisable until after the third anniversary of issue of the option. If options were not exercised before the sixth anniversary of issue then they were deemed to have lapsed. Options lapsed when an employee terminated their employment with the company other than through retirement.

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

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

For the year ended 30 June 2010

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
12/01/2004	12/01/2010	1.59	640,000	640,000	-	-
Weighted average exercise price per share			$1.45	$1.66	-	-

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

There are no share options outstanding as at 30 June 2010. The weighted average remaining contracted life for the share options outstanding as at 30 June 2009 is 0.54 years and the exercise price for these options outstanding was $1.45. There were no options issued during the year ended 30 June 2010 (2009: 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.

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

(c) Phantom option plan

As options available under the option plan approved by shareholders in 1999 had been fully utilised, the directors adopted a Phantom Option Plan ("phantom plan") approach for the executive allocation for each calendar year from 2003 to 2009.

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

The phantom plans for the years 2004 to 2008 have two components. One component involves the notional 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 notional 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.

Notes and accounting policies

For the year ended 30 June 2010

The phantom plan for the 2009 year involves the notional allocation of options at prevailing market rates. The executive may not exercise the options unless total shareholder returns are equal to or greater than the independently calculated annual cost of equity plus 1%. Any benefit above the initial issue price of $1.73 is payable in cash, less tax, three to five 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 on 4 August 2008. As with the other phantom plans, the phantom options issued to S Moutter are not securities issued by Auckland Airport and no securities will be issued on the exercise of those phantom options. Instead, when phantom options are exercised by S Moutter in accordance with the terms of S Moutter's long term incentive plan, Auckland Airport is required to pay a cash amount (less tax) to him in respect of the options being exercised. The cash amount in respect of each option being exercised will be equal to the closing price of Auckland Airport ordinary shares on the NZSX on the business day immediately preceding the exercise date minus the sum of $2.20 (which is the notional exercise price for the phantom 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 2010 the fair value of the cash-settled phantom plans for all participating executives is $1.470 million (2009: $1.404 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 $0.167 million during the year ended 30 June 2010 (2009: $0.296 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 2010 and 30 June 2009:

	Assumptions 2010	**Assumptions 2009**
Expected volatility (%)	21.9%	22.6%
Risk-free interest rate (%)	4.1%	4.4%
Share price at measurement date ($)	$1.87	$1.61

The phantom option plan is apportioned between Identified Airport Activities and Non Identified Airport Activities.

Notes and accounting policies

For the year ended 30 June 2010

24. Segmental reporting

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

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

Information on Identified Airport Activities 30 June 2010

	Identified Airfield Activities $000	Identified Passenger Terminal Activities $000	Identified Aircraft and Freight Activities $000	Total Identified Airport Activities $000
Income				
Airfield income	66,715	-	-	66,715
Passenger services charge	-	73,252	-	73,252
Terminal services charge	-	27,814	-	27,814
Other income	2,300	16,245	10,146	28,691
Total income	69,015	117,311	10,146	196,472
Expenses				
Staff	11,504	13,007	490	25,001
Asset management, maintenance and airport operations	3,195	19,766	463	23,424
Rates and insurance	965	1,242	1,087	3,294
Other	4,259	6,653	508	11,420
Total expenses	19,923	40,668	2,548	63,139
Earnings before interest, taxation and depreciation (EBITDA)	49,092	76,643	7,598	133,333
Depreciation	15,332	27,422	1,413	44,167
Earnings before interest and taxation (EBIT)	33,760	49,221	6,185	89,166
Interest expense and other finance costs	12,639	14,645	2,218	29,502
Profit before taxation	21,121	34,576	3,967	59,664
Deferred tax adjustment on buildings	386	46,550	3,402	50,338
Other taxation expense	7,715	8,322	648	16,685
Total taxation expense	8,101	54,872	4,050	67,023
(Loss)/profit after taxation	13,020	(20,296)	(83)	(7,359)
Total assets employed	777,594	489,107	116,882	1,383,583
Average total assets for year	778,898	486,710	117,994	1,383,602
Return on average assets before interest and tax expense	4.3%	10.1%	5.2%	6.4%
Return on average assets after tax but before interest	2.8%	(2.1%)	1.2%	1.0%

Notes and accounting policies

For the year ended 30 June 2010

Information on Identified Airport Activities 30 June 2009

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

25. Events subsequent to balance date

Final Dividend

On 26 August 2010, the directors approved the payment of a fully imputed final dividend of 4.45 cents per share amounting to $58.312 million to be paid on 22 October 2010. A portion of the final dividend will be attributed to Identified Airport Activities in the subsequent reporting period.

Notes and accounting policies

For the year ended 30 June 2010

New information disclosure requirements
The disclosure financial statements for the year ended 30 June 2010 will be the last to fall under the information disclosure requirements of the Regulations. The Commerce Commission is developing a new information disclosure regime and supporting input methodologies. The final determination on that new regime is expected to be released in December 2010 and come into force on 1 January 2011.

The methodologies which will be determined by the Commerce Commission have been signalled through discussion papers and draft determinations. The Commerce Commission's likely approach is highly templated, departs materially from GAAP and establishes the 30 June 2009 disclosure financial statements as an important reference point. In particular, the likely valuation of non-land assets will be based on the optimised depreciated replacement cost values as at 30 June 2009. Land assets are expected to be valued according to the Commerce Commission's valuation guidelines, with a valuer required to estimate values as at 30 June 2009. The implication of this is that the year ended 30 June 2010 disclosures will be restated to comply with the new regime, once established.

No new disclosures have been incorporated in this year's disclosure statements in anticipation of the new regime.

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2010

1. Current Charges for Identified Airport Activities

1.1 Landing Charges

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

		Period from 1 July 2008 to 30 June 2009	Period from 1 July 2009 to 28 February 2010	Period from 1 March 2010 to 30 June 2010
		$ (excl. GST)	$ (excl. GST)	$ (excl. GST)
Aircraft less than 6 tonnes	per landing	50.00	50.00	50.00
Aircraft over 6 tonnes and under 40 tonnes	per tonne	7.71	7.71	7.90
Aircraft 40 tonnes and higher				
• International flights	per tonne	12.45	11.83	12.77
• Domestic flights	per tonne	12.81	12.81	13.13

Aircraft parking charges are based on MCTOW in tonnes and are payable for every 24 hour time period from the time of landing. Parking revenue for the year ended June 2010 was $0.08 million (2009: $0.022 million).

	Period from 1 July 2008 to 30 June 2009	Period from 1 July 2009 to 28 February 2010	Period from 1 March 2010 to 30 June 2010
	$ (excl. GST)	$ (excl. GST)	$ (excl. GST)
Aircraft less than 6 tonnes			
• Parking in excess of 6 hours	100.00	100.00	100.00
Aircraft over 6 tonnes and under 40 tonnes			
• Parking in excess of 6 hours but less than 5 days	78.80	78.80	80.77
• Parking in excess of 5 days but less than 10 days	105.06	105.06	107.69
• Parking in excess of 10 days	157.59	157.59	161.53
Aircraft 40 tonnes and higher			
• Parking in excess of 6 hours but less than 5 days	105.06	105.06	107.69
• Parking in excess of 5 days but less than 10 days	262.66	262.66	269.22
• Parking in excess of 10 days	525.31	525.31	538.44

As part of the 2007 to 2012 five-year pricing plan, charges were due to increase on 1 July 2009. In the financial year ended 30 June 2010 Auckland Airport temporarily deferred its scheduled July 2009 price increases by holding domestic landing charges and decreasing international landing charges below the rate applicable in the 2009 financial year.

1.2 Passenger Services Charge

For the twelve months ended 30 June 2010 arriving and departing international passengers were charged $13.50 (including GST) (FY09: $13.00) for all passengers who were:

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

1.3 Terminal Services Charge

A terminal services charge is levied directly to airlines for use of particular areas, as well as plant and services of those areas of the international terminal. The effective terminal services charge for FY10 was $3.98 per passenger (FY09: $3.99 per passenger). The charge is calculated annually and levied to each airline on a fixed charge per month. Some airlines are not party to the Terminal Services Agreement and those airlines pay for international passenger facilities as follows:

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

1.4 Other Terminal Charges

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

1.5 Aircraft and Freight Charges

Income from aircraft and freight activities are either rental based or for the fuel line. Building and ground rental rates are negotiated based on commercial market rates for services provided or at rates set in historical arrangements. The fuel line charge compromises a rental for the land use, plus a charge of $0.0022 per litre (FY09: $0.0021 per litre) that passes through the line.

1.6 The methodology used to determine charges

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

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2010

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

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

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

With respect to assets:

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

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

The most significant costs associated directly with the Airfield include:

- Airport emergency services
- Airfield operations
- Apron tower

The most significant costs associated with the Passenger Terminal include:

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

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

2. Allocation methodology used in the preparation of these statements

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

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

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

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

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

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

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

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

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

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

Dividends and dividends reinvested are allocated between segments based on the segment share of surplus after tax. The capital repayment made during 2002-03 and the buy-back of shares during 2005-06 and the equity rights offer in 2010 have been allocated to non-identified airport activities.

3. Cost of capital

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

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

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

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2010

Where:

k_e = Cost of equity capital

k_d = Cost of debt

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

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

t_c = Corporate tax rate

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

Where, in addition to the terms already defined:

r_f = *Risk free rate*

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

$ß_L$ = *Levered beta*

TAMRP = *Tax-Adjusted Market Risk Premium*

The following tables summarise the key WACC elements and resultant WACC ranges as determined in 2007 for charges in place for the majority of charges relevant to the financial year ended 30 June 2010 and the comparative financial year ended 30 June 2009.

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

These most recent WACC inputs were defined as follows:

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

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

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

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

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2010

4. Statistical Information

All statistical information relates to Identified Airport Activities.

4.1 Passenger numbers for the year ended 30 June 2010:

	Domestic	International	Transfers and Transits	Total
Arrivals	3,050,649	3,260,315	434,051	6,745,015
Departures	2,981,761	3,287,375	434,051	6,703,187
	6,032,410	**6,547,690**	**868,102**	**13,448,202**

Passenger numbers for the year ended 30 June 2009:

	Domestic	International	Transfers and Transits	Total
Arrivals	2,824,105	3,193,443	483,012	6,500,560
Departures	2,773,972	3,200,144	483,012	6,457,128
	5,598,077	**6,393,587**	**966,024**	**12,957,688**

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

Aircraft type	Number of landings 2010	Number of landings 2009
A320	4,358	3,458
B738	3,900	2,575
B763	2,943	4,027
B772	2,901	2,990
B744	1,398	1,691
B734	1,309	794
A343	1,281	1,269
A345	723	510
A342	391	400
B77W	359	793
A388	359	97
B733	328	477
B762	193	-
B743	-	230
B722	161	190
B737	120	112
A332	55	218
B77L	-	48
CVLT	26	-
B773	7	7
B732	-	2
A333	1	2
F100	1	-
B742	-	1
SW4B	-	1
Total	**20,814**	**19,892**

Auckland International Airport Limited
Identified Airport Activities

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2010

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

Aircraft type	Number of landings 2010	Number of landings 2009
B190	14,647	14,945
B733	14,036	16,989
DH8C	12,419	12,515
A320	3,688	252
B738	2,165	2,137
AT72	1,066	1,702
CVLT	739	703
TRIS	552	780
B732	379	195
F27	309	274
SW4B	239	262
B772	104	115
JS32	27	169
PA31	15	5
B763	12	75
B734	5	862
B744	2	5
SW4A	1	-
DH8A	1	2
A342	1	-
C208	-	2
A343	-	1
A345	-	1
BE20	-	1
Total	**50,407**	**51,992**

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

Aircraft type	Number of landings 2010	Number of landings 2009
BN2P	1,851	1,505
C172	120	16
PA32	87	286
P68	76	212
C206	19	-
PA27	10	1
DA42	1	1
AS50	1	-
Total	**2,165**	**2,021**

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

Aircraft type	Number of landings 2010	Number of landings 2009
Various aircraft types	4,128	4,422

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2010

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

	Number of landings 2010	Number of landings 2009
Scheduled International	20,814	19,892
Scheduled Domestic >= 3000 kg	50,407	51,992
Scheduled Domestic < 3000 kg	2,165	2,021
Unscheduled and other landings	4,128	4,422
Total number of arrivals	**77,514**	**78,327**
Total number of flight movements	**154,971**	**156,788**

4.7 Interruptions

The total number and duration of planned and unplanned interruptions during the year ended 30 June 2010 is shown below, alongside comparative information for the year ended 30 June 2009.

Planned interruptions are where the substantial customers are given at least 24 hours notice of the interruption; otherwise the interruption is deemed to be unplanned. An interruption is a withdrawal of service by the company during operational hours for 15 minutes and longer, but does not include an interruption to runway services due to weather conditions.

	Year ended 30 June 2010		Year ended 30 June 2009	
Planned interruptions	**Number**	**Total duration (hh:mm)**	**Number**	**Total duration (hh:mm)**
Runway services	-	-	-	-
Airbridge services	4	570:00	2	28:00
Stand services	1	53:00	-	-
Baggage handling systems	-	-	-	-
Unplanned interruptions	**Number**	**Total duration (hh:mm)**	**Number**	**Total duration (hh:mm)**
Runway services	-	-	-	-
Airbridge services	59	125:00	41	379:50
Stand services	-	-	-	-
Baggage handling systems	25	49:08	14	72.44

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

Runway services:

In the year ended 30 June 2010 there were no instances of planned or unplanned interruptions causing services to be interrupted for flights.

Airbridge services:

Planned
There were four instances of planned interruptions when particular airbridges were unavailable for 570 hours, whilst planned maintenance was undertaken. The majority of the planned interruption time related to the recladding of two airbridges.

Additional Information Required by the Disclosure Regulations

For the year ended 30 June 2010

Unplanned
There were 59 instances of unplanned interruptions, totalling 125.00 hours of total plant downtime. In most instances this downtime did not affect scheduled services. Of the 59 instances, 16 instances totalling 15.75 hours were due to airline ground handling operator errors.

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

Stand services:

Planned
There was one instance of planned interruptions totalling 53.00 hours due to required maintenance.

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

Baggage handling services:

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

Unplanned
There were 25 instances totalling 43 hours and 29 minutes of unplanned interruptions when the baggage handling system was unavailable to customers.

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

	2010	
	Total staff	**Operating staff**
Airfield activities	110.65	100.45
Specified passenger terminal activities	134.59	104.41
Aircraft and freight activities	5.82	2.59
Total full-time equivalent staff allocation to Identified Airport Activities	**251.05**	**207.44**

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

Deloitte.

AUDIT REPORT

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

We have audited the disclosure financial statements on pages 2 to 53 which include financial statements and additional information relating to the company's Identified Airport Activities. The disclosure financial statements are required by Regulation 4 of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. The disclosure financial statements provide information about the past financial performance of the company's Identified Airport Activities and their financial position as at 30 June 2010. This information is stated in accordance with the accounting policies set out on pages 7 to 16.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of disclosure financial statements which give a true and fair view of the financial position of the company's Identified Airport Activities as at 30 June 2010 and of the results of their operations and cash flows for the year ended on that date.

Auditors' Responsibilities

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

Basis of Opinion

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

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

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

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

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the disclosure financial statements on pages 2 to 53 that are required by Regulation 4 of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 and that are required to be audited:
  - comply with any guidelines issued under Regulation 17;
  - subject to these regulations, comply with New Zealand generally accepted accounting practice; and
  - give a true and fair view of the financial position of the company's Identified Airport Activities as at 30 June 2010 and the results of their operations and cash flows for the year ended on that date, and of the matters disclosed in accordance with the Schedule to the regulations.

Our audit was completed on 24 November 2010 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
AUCKLAND, NEW ZEALAND

This audit report relates to the disclosure financial statements of Auckland International Airport Limited and group for the year ended 30 June 2010 included on Auckland International Airport Limited's website. The Board of Directors is responsible for the maintenance and integrity of Auckland International Airport Limited's website. We have not been engaged to report on the integrity of Auckland International Airport Limited's website. We accept no responsibility for any changes that may have occurred to the disclosure financial statements since they were initially presented on the website. The audit report refers only to the disclosure financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these disclosure financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited disclosure financial statements and related audit report dated 24 November 2010 to confirm the information included in the audited disclosure financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.