

Media Release | 30 August 2012

Auckland Airport announces financial results for year ending 30 June 2012

- **Reported profit and underlying profit both up**
- **Strong passenger growth at all four airports**
- **Dividend increased to 10.5 cents per share**
- **Ambitious growth strategy paying off**

Overview

Auckland Airport today announced a reported profit after tax of \$142.284 million, up 41.2%, while underlying profit after taxation was up 15.0% to \$139.025 million.

Auckland Airport's chair, Joan Withers, said, "Auckland Airport is pleased to have built on last year's breakout profit result and delivered an even better financial and operational performance for this financial year. This is in spite of difficult global economic conditions and weaknesses in traditional long-haul markets such as Europe that continue to challenge most businesses, including those in tourism, trade and aviation sectors."

"The improved results were largely fuelled by growth in passenger numbers across our airport interests," said Mrs Withers.

At Auckland Airport, total international passenger movements, including transits, were up 5.1%, and total domestic passenger movements were up 3.3%.

Queenstown's international passenger movements were up 21.2% and domestic passenger movements up 11.6%. At Cairns Airport, international passenger movements were up 3.5% while domestic passenger movements were up 3.2%. Mackay Airport also continued its good growth on the back of the resource sector, with passenger movements up 7.7%.

Mrs Withers said, "While there are clearly more people travelling to and from New Zealand than ever before, a closer look at the statistics reveals a fundamental shift in global travel demographics. Strong growth is occurring out of Australia, China, and many other South-East Asian nations, with declining travel numbers out of the United Kingdom, Europe, Japan and the United States. This reinforces the need to adapt."

A focus on 'making journeys better' was again recognised in the World Skytrax Airport Awards, with Auckland Airport awarded the best airport in Australia Pacific for the 4th year in a row, and named 2nd best in the world for airports with between 10 to 20 million passengers annually.

Mrs Withers said, "The 2012 financial and operational results offer further evidence of the merits and continued momentum of the long-term growth strategy and market focus that has driven our approach over the last few years.

"While airline customers, passengers and New Zealand economic interests have benefited, shareholders have also been rewarded by these efforts, with outstanding FY10, FY11 and FY12 total shareholder returns.

"After careful consideration of the capital structure of the business, and as a signal of confidence in our long term prospects, cash generation and ability to fund our growth aspirations, the Board is changing its dividend policy from paying 90% to paying 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one-off items).

"As a result of the lift in financial performance and the change in dividend policy, the total dividends paid to shareholders for the year increases by 20.7% to 10.5 cents per share, with a final dividend of 6.1 cents per share."

Ambition

Auckland Airport's acting chief executive, Simon Robertson, said, "Auckland Airport has attained good altitude in the past year, but we cannot risk placing the business in a holding pattern. If we do not remain relentlessly ambitious about growth, we are

likely to lose ground against the offshore destinations and airports we regard as New Zealand's natural competition.

"We have set ourselves some long-term ambitious targets to grow international visitor volumes and value. As one of the industry leaders, we must play our part in promoting New Zealand around the world as a travel, trade and tourism destination. We are also focused on building stronger alignment with other industry stakeholders to open more channels and grow markets.

"We will keep working with our airline customers to attract more flights, preferably direct, on new and existing routes from key source travel markets around the world, and by working with the industry to draw a more valuable mix of visitor segments.

"This is all outlined in our programme called Ambition 2020, unveiled at the TRENZ national tourism conference in May this year. Ambition 2020 sets a challenge for the industry of a decade of growth ambitions for New Zealand visitor arrivals and visitor spend. It is underpinned by a programme of strategic activity, with a particular focus on the growth markets of Asia, Americas and Australia.

"The prize is significant. We believe there is potential to grow total international visitor arrivals for the country to 3.5 million by 2020, up from 2.6 million in 2011. More importantly, the value generated by these visitors could grow ahead of official estimates, to at least \$8.5 billion (\$5.8 billion in 2011).

"We have applied this Ambition 2020 challenge to ourselves as well - It is our call to drive higher business outcomes, improved quality, greater efficiency, and more innovation across our entire business."

Results in more detail

The profit result has been achieved through a 7.3% increase in total income to \$426.813 million. This reflects growth across most revenue sectors, including aeronautical, retail, rental, and car parking.

Operating costs increased by 8.1% to \$107.524 million, largely as a result of additional staffing costs, an increase in maintenance and airport operation costs, particularly for the Rugby World Cup 2011, and increased rates and insurance costs.

Reflecting the continued growth momentum and the sustained improvement in performance, total dividends paid for the 2012 financial year are being increased from 8.7 to 10.5 cents per share.

Associated businesses continued to deliver, with good growth in revenue and operating EBITDAFI at Cairns and Mackay Airports up 17.8% to AU\$70.087million, and an increase in the dividend paid to Auckland Airport from AU\$6.751 million to AU\$10.311 million.

Queenstown Airport also maintained its strong passenger growth momentum and excellent financial performance, with operating EBITDA up 16.7% to \$11.529 million.

With the Novotel Auckland Airport hotel completing its first full year of trading, Auckland Airport recorded a share of profit of \$2.088 million from its 20% investment in the joint venture, which is operating and trading ahead of expectations.

Mr Robertson said, "Our investment in air-service and market development has also continued to bear fruit during the year, with a number of successes in developing new or expanding existing services to markets in China, Australia, Taiwan, Indonesia, Japan and the United States."

Other business

Mr Robertson said, "A new five-year aeronautical pricing schedule for Auckland Airport was published in early June 2012 following a full and constructive consultation with airline customers. The new schedule features a reduction in average charges per international passenger in the first year, with subsequent increases broadly in line with the expected rate of inflation.

"This reduction in international charges is the first for Auckland Airport since becoming a listed company, and shows how our focus on developing new air-services is benefiting travellers through lower prices. By increasing the number of passengers passing through Auckland Airport, and by keeping a tight hold on our expenditure and driving operational efficiencies, we are now able to spread airport costs over a larger base, and reduce international charges on a per passenger basis.

"An increase in domestic charges largely reflects the need to invest in high priority modifications over the next 18 months to expand the capacity of the domestic terminal in the shorter-term, so that it can cope with the increasing size of aircraft being used on main domestic routes.

“We are continuing consultation with airlines on development of a new terminal to replace the existing domestic terminal. The new terminal will be a key part of Auckland Airport, the domestic travel experience, and New Zealand’s tourism and trade infrastructure for many years to come, so we firmly believe it’s worth spending a bit more time now getting the plans right. It remains our intention to have the first stage of a new terminal facility operational in time to accommodate the projected growth in domestic passenger demand and the introduction of new larger domestic aircraft.

“The very long-term realities of airport planning and development mean we must continue to hold land for future airport expansion for extended periods of time. However, the current regulatory framework does not consider it acceptable for airports to reflect the holding costs for such land assets in their charges to airlines, meaning that in many cases this land generates no return to airport shareholders until such time as it becomes operational.

“As New Zealand’s foremost airport, which represents a vital part of the country’s transport, tourism and trade infrastructure, we must ensure we have the capacity to cater for the needs of future generations by retaining this land. This is a national responsibility we cannot, and do not, wish to avoid, but current regulatory settings mean our shareholders are bearing the cost associated with safeguarding future New Zealand aviation capacity.”

Looking ahead

Mrs Withers said, “Replacing Simon Moutter is a key decision to be made by the Board this financial year. Simon left Auckland Airport in early August 2012 to take up the role of chief executive of Telecom. That recruitment process, at the time of writing, is well underway and should be announced within a few months. One thing that the Board is clear about is that whoever is appointed will inherit a sound strategic foundation, and a stable and high-performing leadership team.

“In his four years with the business, Simon has built a top team, refocused the business to customer experience, set a strategically sound and ambitious pathway for growth, opened up more access to a number of key tourism and trade markets, and delivered outstanding results for Auckland Airport and for New Zealand. He departs with our best wishes and our confidence that his good work will continue.”

Mr Robertson said, “2013 is an important time for Auckland Airport. We intend to confirm, alongside our airline partners, a clear pathway for finalising our master plan for airfield, terminal and property development in order to uncap long-term visitor growth potential.

“Auckland Airport's goal is to enhance our economic contribution as much as possible and to unlock any constraints. With that in mind, we are taking steps to increase productivity, by investing in smart airport infrastructure, in air-service capacity development and, in conjunction with our key stakeholders, initiating and promoting programmes to attract more tourists and trade to New Zealand. We will keep looking for ways to tap into new growth opportunities. We will keep exploring new partnerships, business extensions, information sources and technologies as a means of increasing New Zealand's share of growth from these expanding markets.”

The board is optimistic about the full 2013 financial year and expects net profit after tax (excluding any fair value changes and other one-off items) to be between \$143.0 million to \$150.0 million. We note with some caution any potential long-term implications from the prevailing volatility in global economies. As always therefore, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances.

Ends

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Refer pdf attachments: Financial Report / Results at a Glance / Company Report /
NZX Appendix 1 / PowerPoint presentation

Wider Ambition

Annual Results 2012
Auckland International Airport Limited



2012 Preliminary Full Year Report Announcement

Director's Comments

High performance

Welcome to our company report for the financial year to 30 June 2012.

Auckland Airport is pleased to have built on last year's breakout profit result and delivered an even better financial and operational performance for this financial year. This is in spite of difficult global economic conditions and weaknesses in traditional long-haul markets such as Europe that continue to challenge most businesses, including those in tourism, trade and aviation sectors.

Total profit after tax was up 41.2% to \$142.284 million, while underlying profit after taxation was up 15.0% to \$139.025 million.

After careful consideration of the capital structure of the business, and as a signal of our confidence in our long-term prospects, cash generation and ability to fund growth aspirations, the Board is changing its dividend policy from paying 90% to paying 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one-off items).

As a result of the lift in financial performance and the change in dividend policy, the total dividends paid to shareholders for the year increases by 20.7% to 10.5 cents per share, with a final dividend of 6.1 cents per share.

The improved financial results were largely fuelled by growth in passenger numbers across our airport interests. At Auckland Airport, total international passenger movements, including transits, were up 5.1%, and total domestic passenger movements were up 3.3%.

Passenger numbers also continued to grow at our other airport interests, with Queenstown's international passenger movements up an excellent 21.2% and domestic passenger movements up 11.6%. At Cairns Airport, international passenger movements were up 3.5% while domestic passenger movements were up 3.2%. Mackay Airport also continued its good growth on the back of the resource sector, with passenger movements up 7.7%.

While there are clearly more people travelling to and from New Zealand than ever before, a closer look at the statistics reveals a fundamental shift in global travel demographics. Strong growth is occurring out of Australia, China, and many other South-East Asian nations, with declining travel numbers out of the United Kingdom, Europe, Japan and the United States.

Although some of this decline is related to air service capacity, for example on key United States routes, much of it is due to underlying global economic factors that show little sign of reversing in the near term. This reinforces the need to adapt.

The 2012 financial result offers further evidence of the merits and continued momentum of the long-term growth strategy and market focus that has driven our approach over the last few years.

Looking back, we believe that our 2009 'Flight Path for Growth' strategy set the right foundation from which to build our business. At that time, with the global financial crisis in full swing, we were faced with a stark choice; to either 'hunker down' or go for growth. We decided then that to succeed in such turbulent times, we had to strive for growth, and not be constrained by a sole focus on protection against downside risk.

In simple terms, we shifted our focus from an infrastructure builder to a sales-led growth engine for travel, trade and tourism. In essence, we have become a significant market development organisation. Since then, while our strategy has continued to evolve, that underlying principle of ambition for growth – even in turbulent times – has continued to fuel our success.

Today, Auckland Airport's strategic thinking is informed by six themes that can broadly be described as; volume (growing travel, trade and tourism), yield (maximising the value of our retail and property businesses), smart (developing a 'smart' airport to make journeys better), relationships (with travel industry and key stakeholders), partnerships (to achieve superior growth) and leadership (that makes a difference).

Over the latest year, we have continued to sharpen our customer service. With our airport partners, we have delivered further expansion of product and retail choices and travel-processing improvements. We also have a renewed focus on generating innovations and efficiencies in the business.

We remain single-minded about making the journeys of each of our passengers, airlines and partners better across every step of the way. We firmly believe a superior service experience differentiates our business from competing visitor destinations and helps drive repeat travel.

The focus on, and pride in, 'making journeys better' was again recognised in the World Skytrax Airport Awards, with Auckland Airport awarded the best airport in Australia Pacific for the 4th year in a row, and named 2nd best in the world for airports with between 10 to 20 million passengers annually.

While airline customers, passengers and New Zealand economic interests have benefited, shareholders have also been rewarded by these efforts, with outstanding FY10, FY11 and FY12 total shareholder returns, and an increase in dividends for the past two financial years.

In reflecting on a successful financial year, we also continue to take pride in the fact that we make a vital contribution to travel, tourism and trade, by strengthening New Zealand's connections with the world and facilitating thousands of jobs and millions of dollars' worth of tourism and high-value trade activity.

Auckland Airport is also committed to working effectively with our airline customers to support their own growth ambitions, through air-service development and fair airport charges that align more closely on the risk and reward of passenger volume growth. We consulted extensively and constructively with airlines before fixing a new five-year pricing schedule to apply from 1 July 2012.

We have also worked with the Government on a wide range of policy and regulatory matters, seeking to further align our business activities with the best possible outcomes for consumers and for the New Zealand economy. Government support has helped to seal the deal on air-service wins such as China Southern Airlines.

Government has listened to our proposals on improving visa processes for key markets, and delivered on those improvements. It has negotiated a trebling of the number of potential flights with China allowed under an updated air-service arrangement. It has given us a fair hearing in government processes. All the while, it has sought to balance the economic growth that the airport can and does deliver with the interests of other parts of the economy.

We also have an important and positive relationship with Auckland Council. The Council well understands the airport's significant role in facilitating regional growth and creating more and better employment opportunities for Aucklanders, especially those living in and around South Auckland. The new Auckland Plan acknowledges that, as Auckland continues to develop as a city, better infrastructure, and improved transport options, will be required to support predicted airport growth and the benefits it can deliver.

Incorporating international airport growth into long-term urban city planning is not always easy. The likes of London and Sydney illustrate the consequences where planners over time have allowed their city to enclose their airports and constrained their capacity for future growth.

This is forcing cities to contemplate spending many billions of ratepayer or taxpayer money on new airports to cope with the inevitable rise in travel and trade demand. For example, recent estimates suggest a proposed new Thames Estuary airport in London could cost the equivalent of NZ\$100 billion.

The economic and opportunity cost to Auckland and New Zealand would be massive if aviation capacity was constrained in the same way.

Ambition

Auckland Airport has attained good altitude in the past year, but we cannot risk placing the business in a holding pattern. If we do not remain relentlessly ambitious about growth, we are likely to lose ground against the offshore destinations and airports we regard as New Zealand's natural competition.

We have set ourselves some long-term ambitious targets to grow international visitor volumes and value. As one of the industry leaders, we must play our part in promoting New Zealand around the world as a travel, trade and tourism destination. We are also focused on building stronger alignment with other industry stakeholders to open more channels and grow markets.

We will keep working with our airline customers to attract more flights, preferably direct, on new and existing routes from key source travel markets around the world, and by working with the industry to draw a more valuable mix of visitor segments.

This is all outlined in our programme called Ambition 2020, unveiled at the TRENZ national tourism conference in May this year. Ambition 2020 sets a challenge for the industry of a decade of growth ambitions for New Zealand visitor arrivals and visitor spend. It is underpinned by a programme of strategic

activity, with a particular focus on the growth markets of Asia, Americas and Australia.

The prize is significant. We believe there is potential to grow total international visitor arrivals for the country to 3.5 million by 2020, up from 2.6 million in 2011. More importantly, the value generated by these visitors could grow ahead of official estimates, to at least \$8.5 billion (from \$5.8 billion in 2011).

The prize will not be easy to attain. Succeeding in Asia and other growth markets will rely on a collective ability to move on from yesterday's tourism and aviation dynamics and develop relevant product and effective channels to market. As a small country with a small share of voice, it is hard to position a quality product through highly fragmented sales channels in a very crowded market like Asia.

Future success requires the collective visitor industry to work together so we can all better understand changing global markets, gain stronger insights into the expectations of the next generation of visitors, and develop the services and products to match. Success will also depend on industry working better with local and central Government, suggesting commercial solutions to help remove more barriers to travel rather than looking to government officials to solve problems that, in many cases, are outside of their control.

We have applied this Ambition 2020 challenge to ourselves as well. It is our call to drive higher business outcomes, improved quality, greater efficiency, and more innovation across our entire business. Auckland Airport's scale of operations means we are one of the largest corporate stakeholders in New Zealand tourism.

We have the benefit of marketing influence, operational resources, access to industry insights and an ability to invest in long-term market propositions that is beyond the individual capacities of the many small to medium enterprises that are typical of the tourism sector.

As a small, remote country with 'thin' air services, New Zealand has some inherent competitive disadvantages for visitation and trade that can only be overcome by a collective and cohesive effort. We must accept the reality that we are not playing on a 'level playing field' and adjust our game plan accordingly, using all factors within our control, including policy settings, planning, funding and coordination of marketing to punch above our weight.

It will also mean back-solving our ambitious national tourism and trade targets for the number of flights needed to physically deliver the people and high-value air-freight we want – and the tourism industry being aligned in support of those airlines willing to have a go.

One thing we know already is that air links, particularly direct services, are a key enabler. Without the available aircraft seats, no amount of brand advertising or trade missions will get the tourists here. For example, Chinese visitor numbers were up over 30 per cent in the 2012 financial year following the significant increase in capacity on direct flights between New Zealand and China.

We also think it is strategically vital to build stronger air service links and distribution networks with the key markets and airports only one direct flight away from New Zealand. Some of these hub airports already have strong direct connections with markets further afield (such as Europe and the Americas), and we can therefore build stronger 'stepping stones' to those more distant markets.

While new visitor markets are important, Auckland Airport also believes there are many more opportunities to deepen existing country markets through connections to relatively untapped regions, for example the Sunshine Coast, Perth and Adelaide in Australia, or Shenzhen, Qingdao, Shenyang and Chengdu in China.

Ambition 2020 has already started. Several Auckland Airport organised education workshops have been held around the country to assist the industry in getting ready for the new generation of visitors. We have also developed several luxury New Zealand programmes, featuring trade development and bespoke websites targeting high net worth individuals in growth markets such as China, Indonesia and Taiwan.

In addition, we have spearheaded social media programmes using visits from celebrities in key markets that have massive social media followings, such as Indonesian celebrity chef, Farrah Quinn, to experience quality tourism products in New Zealand and spread the word to their extensive in-market networks.

Ambition 2020 offers powerful benefits to our own business. Not only will we share in the rewards from overall growth in tourism volumes, but also by working more effectively with airlines, hotels and other tourist service providers, we can offer more tailored products relevant to growth markets and can capture even more of the value across our business.

Fuelling the engine (results in detail)

As reported earlier, total profit after tax was up 41.2% to \$142.284 million, while underlying profit after taxation was up 15.0% to \$139.025 million.

For several years now, Auckland Airport has reported underlying profits alongside reported results. We believe an underlying profit measurement helps investors to understand what is happening in a business, such as Auckland Airport, where revaluation changes or one-off transactions can make the comparisons of profits between years difficult. The underlying profit also provides a basis for our determination of the dividend payment and compliance with debt covenants.

The profit result has been achieved through a 7.3% increase in total income to \$426.813 million. This reflects growth across most revenue sectors, including aeronautical, retail, rental, and car parking.

Operating costs increased by 8.1% to \$107.524 million, largely because of additional staffing costs, an increase in maintenance and airport operation costs, particularly for the Rugby World Cup 2011, and increased rates and insurance costs. That said total expenses, despite the increased investment in key opportunity areas, have remained under tight management.

Reflecting the continued growth momentum and the sustained improvement in performance, total dividends paid for the 2012 financial year are being increased from 8.7 to 10.5 cents per share.

Our associated businesses continued to deliver, with good growth in revenue and operating EBITDAFI at Cairns and Mackay Airports up 17.8% to AU\$70.087million, and an increase in the dividend paid to Auckland Airport from AU\$6.751 million to AU\$10.311 million.

Subsequent to the end of the financial year, Cairns Airport achieved some notable air-service development successes in the China market, with China Eastern announcing a three times per week seasonal Shanghai to Cairns service from October 12, and China Southern announcing a seasonal three times per week Guangzhou-Brisbane-Cairns-Guangzhou service from December 18. These successes help position Cairns well for the future.

Queenstown Airport also maintained its strong passenger growth momentum and excellent financial performance, with operating EBITDA up 16.7% to \$11.529 million. The financial year saw Queenstown Airport hitting a milestone of one million passengers in a year for the first time. This stellar growth was supported by the completion of the East Runway Safety Area (ERSA) in October ahead of deadline, which saw the realisation of one of the largest projects ever to be undertaken by the airport. With an eye on the future Queenstown has undertaken several key planning matters and terminal expansions that will allow them to meet anticipated growth.

With the Novotel Auckland Airport hotel completing its first full year of trading, Auckland Airport recorded a share of profit of \$2.088 million from its 20% investment in the joint venture, which is operating and trading ahead of expectations.

Investing in the future

A new five-year aeronautical pricing schedule for Auckland Airport was published in early June 2012 following a full and constructive consultation with airline customers. The new schedule features a reduction in average charges per international passenger in the first year, with subsequent increases broadly in line with the expected rate of inflation.

This reduction in international charges is the first for Auckland Airport since becoming a listed company, and shows how our focus on developing new air-services is benefiting travellers through lower prices. By increasing the number of passengers passing through Auckland Airport, and by keeping a tight hold on our expenditure and driving operational efficiencies, we are now able to spread airport costs over a larger base, and reduce international charges on a per passenger basis.

An increase in domestic charges largely reflects the need to invest in high priority modifications over the next 18 months to expand the capacity of the domestic terminal in the shorter-term, so that it can cope with the increasing size of aircraft being used on main domestic routes. We are continuing consultation with airlines on development of a new terminal to replace the existing domestic terminal.

The new terminal will be a key part of Auckland Airport, the domestic travel experience, and New Zealand's tourism and trade infrastructure for many years to come, so we firmly believe it's worth spending a bit more time now getting the plans right. It remains our intention to have the first stage of a new terminal facility operational in time to accommodate projected growth in domestic travel demand and the introduction of new larger domestic aircraft.

In May 2012, we submitted our first information disclosure for Auckland Airport under the new Commerce Act regulatory regime. Our information disclosure reflected our service ethos of 'making journeys better' for consumers, for airlines,

and for our business partners. We remain committed to the new information disclosure process and to ensuring that the new regulatory regime is given sufficient time to be fully tested.

In general, airports are one of the few industry sectors in New Zealand that does not have a significant sector-wide infrastructure deficit. That said, airport infrastructure is very capital intensive and long-lived, and it is essential for New Zealand that airports continue to have appropriate incentives to provide the capacity necessary to ensure there are no growth constraints and to facilitate our country's ambitions to grow trade and tourism.

The nature and large scale of some of the capital investment that will be required to accommodate demand growth at Auckland Airport, coupled with the relatively shallow capital pools available in the country, means that we must also be able to raise capital and attract funding from a wide range of sources. Access to global capital is therefore also critical to our ability to invest.

The very long-term realities of airport planning and development mean we must continue to hold land for future airport expansion for extended periods. However, the current regulatory framework does not consider it acceptable for airports to reflect the holding costs for such land assets in their charges to airlines, meaning that in many cases this land generates no return to airport shareholders until such time as it becomes operational.

As New Zealand's foremost airport, which represents a vital part of the country's transport, tourism and trade infrastructure, we must ensure we have the capacity to cater for the needs of future generations by retaining this land. This is a national responsibility we cannot, and do not, wish to avoid, but current regulatory settings mean our shareholders are bearing the cost associated with safeguarding future New Zealand aviation capacity.

Growing air-services

Our investment in air-service and market development has continued to bear fruit, with a number of successes in developing new or expanding existing routes. China Southern Airlines increased their services to daily in November 2011, a key driver of the strong growth of Chinese visitor numbers. Emirates announced a second A380 service via Melbourne, and Air New Zealand commenced new seasonal services to Bali and the Sunshine Coast, and expanded existing international services to Perth and Japan, and domestically, to Queenstown. In April 2012, Auckland Airport signed a memorandum of understanding with Garuda Indonesia, which will see Garuda commencing flights between Indonesia and Auckland sometime in 2013.

On the downside, Aerolineas Argentinas announced that it would be discontinuing its stopover in Auckland. More significantly, Qantas cancelled its Los Angeles service and United Airlines shelved plans to commence a Houston to Auckland service because of a local dispute in Houston regarding a second international airport.

While disappointing, the United Airlines decision in relation to Houston has been offset by other airline commitments to the important United States market. Air New Zealand is increasing its Honolulu capacity during the peak season, and has expanded its Los Angeles service. In July 2012, Hawaiian Airlines announced plans to fly three times a week from Auckland to Honolulu direct from March

2013, and in the process offering 11 onward connections to mainland United States cities including Las Vegas, San Diego and New York.

Rugby World Cup 2011

As noted in the 2012 half-year report, the October 2011 Rugby World Cup was a major operational success at Auckland Airport. A significant amount of joint planning led by the Auckland Airport team went into this event. Additional resources were brought in to ensure visitors to New Zealand had an outstanding airport experience, and the commitment from all stakeholders on airport was exceptional.

In addition to providing a great first and last impression of New Zealand for fans, players and officials, the event also offered retailers and advertisers at the airport an attractive opportunity to display their products in innovative ways. We also took the opportunity to showcase New Zealand with a new passenger arrivals experience featuring modern sound and light components.

Auckland Airport Business District

While the core of our business always remains the movement of people and goods, the efficient use of land becomes ever more important as the airport grows. Since 2010, we have had a coherent land development vision, centred on an Auckland Airport Business District that provides a framework to maximise land use.

The 2012 financial year saw a number of important property projects progress, including a very positive first year of trading for the new Novotel Auckland Airport, good performance at another Accor-operated hotel (Formule 1), and the opening of Abbeville, a heritage function centre. Other completed projects include a new Toll warehouse, a logistics centre for CEVA logistics, and a training centre for tourism and travel education purposes. In addition, Quad 5, a high-quality office building that now includes the corporate office for Auckland Airport, was completed in July 2012.

However, we do note that a relatively flat Auckland commercial property market has meant that development activity across the region has slowed, in turn slowing the rate of growth at the Auckland Airport Business District.

We have continued to focus on improving the amenities at the Auckland Airport Business District, providing a place and an environment that is more attractive to the many businesses that want to locate close to the massive movement of people and goods that the airport facilitates. New amenities include restaurants, cafes, pubs, a gym and recreational facilities such as paintball and a high ropes course.

Another exciting initiative has been the careful restoration of a number of historic buildings into a heritage function centre. Abbeville Estate is set in a lush, landscaped country setting with views across fields and beautiful country gardens. The venue is an ideal place to host weddings, corporate functions, sales conferences, product launches, celebrations and team building events.

It's all part of the Auckland Airport strategy to make the Auckland Airport Business District a world-class business location, right next to the biggest travel hub in the country.

The international terminal retail space that was significantly redeveloped over 18 months ago is continuing to receive great customer feedback and generate excellent results, contributing to an 8.7% increase in total retail revenue on the previous year.

Our retail environment reflects a mix of quality international and New Zealand brands, from luxury to boutique. New Zealand brands include Bennetts Chocolate, and the first New Zealand retail space for the renowned fragrance and body care brand Ecoya, shared with its sister company, New Zealand's leading skin care brand Trilogy. Passengers have also responded well to some innovative 'pop-up' retail offers, including a number of Australasian product launches.

Leadership

Auckland Airport is one of the biggest listed corporations in New Zealand, and the hub through which passes 70 per cent of all international travellers and visitors and 90% of all high-value airfreight.

As such, we feel a strong sense of responsibility to do more than just drive our own business off that enormous movement of people and goods. We also seek to more actively contribute to driving economic growth and assume a leadership role within the tourism and trade sector.

We firmly believe that Auckland Airport needs to help set the tourism and trade growth agenda, challenge the collective industry to be ambitious about its growth targets, and be relentless about how those ambitions can and will be achieved. Leadership will be a key factor in both our own organisational performance and in the success of New Zealand travel, tourism and trade.

Innovation is a key leadership focus. The introduction of new technologies and process innovations to improve departures, arrivals and border initiatives is a continuous initiative that can elevate the propensity to travel and increase the available capacity of existing infrastructure, thus deferring capital expenditure on new infrastructure.

This was the first year we have used smart technology to track passenger-processing times, across both the international arrivals and departure processes. Over the last 12 months, an average of 85.3% of arriving passengers were processed under 25 minutes, and an average of 96.4% of departing passengers were processed under 12 minutes. This compares well with any airport in the world.

One of the key drivers of innovation is destination competition. Being further away from major markets, our airport processing, operations and product offer must be as good, if not better than the likes of Sydney, Melbourne and Brisbane Airports. As Auckland Airport provides the first or last impression for most visitors, these efforts also reflect on the international visitor perception of New Zealand as a destination.

Product innovations include the Auckland Airport Emperor Lounge opened in late 2011, complementing a number of existing airline operated lounges, providing greater choice for partner airlines and for passengers.

Consumers also increasingly expect that organisations meet their responsibilities and obligations and take a lead on caring for the community and the environment.

Innovation is being used to generate sustainability efficiencies and energy savings. Improvements in water capture technologies have significantly reduced the water use per passenger, while rainwater is collected and recycled for use in the air-conditioning cooling towers. Using a range of energy harnessing or energy saving-related initiatives, we achieved further improvements during the year across all key measures, including CO₂ and water use per passenger and total carbon footprint.

Auckland Airport has also gained 'Silver' status in the international Earthcheck sustainability-benchmarking programme, and was the only organisation in New Zealand nominated in every category of the Sustainable 60 awards.

Auckland Airport has the largest noise mitigation programme in New Zealand, designed to reduce noise impacts and meet our obligations to the community. The Auckland Airport Community Trust donated \$467,000 in its 2012 funding round and has now distributed over \$2.0 million in funding to community initiatives within the airport noise contours since its formation in 2003.

Governance

Throughout the year, the Board has focused on ensuring that best practice standards of governance and risk management are met, that management is delivering on performance and value creation targets, and that relationships with key stakeholders are strengthened.

As we did in our half-year report, the Board of Directors and Management team of Auckland Airport, would again like to pay tribute to a fellow Director and an extraordinary New Zealander, Lloyd Morrison, who sadly passed away in early February 2012 following a long illness.

Appointed a Director of the Company in 2007, Lloyd challenged our thinking and inspired debate on many important issues. He was passionate and aspirational about Auckland Airport and its role in New Zealand. He made a significant contribution to Auckland Airport and was an advocate for the strategic shift of the company in recent years that has provided the foundation for our recent strong performance.

In early July 2012, Justine Smyth was appointed as a new director and a member of the Audit and Risk Committee. Justine is currently a director of Telecom, a board member of the Financial Markets Authority and chair of The New Zealand Breast Cancer Foundation. Justine has strong experience in retail, governance, mergers and acquisitions, taxation and financial performance of large corporate enterprises and the acquisition, ownership, management and sale of small and medium enterprises, and the Board believes her experience will positively complement the mix of skills and experience of existing board members.

In accordance with the company's constitution, Justine will retire and offer herself for election at the annual meeting to be held on 24 October 2012 at the TelstraClear Pacific Events Centre.

Replacing Simon Moutter is a key decision to be made by the Board this financial year. Simon left Auckland Airport in early August 2012 to take up the role of chief executive of Telecom.

That recruitment process, at the time of writing, is well underway and should be announced within a few months. One thing that the Board is clear about is that

whoever is appointed will inherit a sound strategic foundation, and a stable and high-performing leadership team.

In his four years with the business, Simon has built a top team, refocused the business on customer experience, set a strategically sound and ambitious pathway for growth, opened up more access to a number of key tourism and trade markets, and delivered outstanding results for Auckland Airport and for New Zealand. He departs with our best wishes and our confidence that his good work will continue.

Horizons

2013 is an important period for Auckland Airport. We intend to confirm, alongside our airline partners, a clear pathway for finalising our master plan for airfield and terminal development in order to uncap long-term visitor growth potential.

This will involve resolving some of the timing and location challenges for the delivery of an eventual new terminal facility, particularly for domestic travel. We will also get started on some short-term fixes at the existing domestic terminal to patch up some of its operational constraints and buy ourselves a bit more time to deliver the best long-term solution.

The plan will also involve an organisational response to the rapid pace of technological and behavioural change. In particular, the growing ubiquity of smart mobile devices is driving collaboration between consumers and companies and is influencing behaviour in travel, tourism and trade. We want to be at the forefront of understanding the possibilities these shifts offer and how they can be used to deliver and design smarter airports to make journeys better. The rising prevalence of self-processing technologies, such as Smart Gate, is but one example of the applications and benefits. We believe this trend will only accelerate.

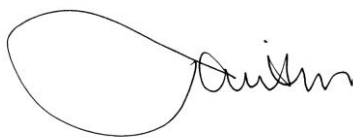
Moreover, we want an even bigger slice of the new global tourism growth action in order to maintain long-term momentum. This is where the thinking behind Ambition 2020 is more relevant than ever. Global markets have shifted. The global architecture of air-travel, as it affects us here in New Zealand, has well and truly tilted towards Asia. Asia is the new global growth engine, closely followed by Australasia and the Americas. It makes sense to focus more effort there.

The prize becomes even greater should New Zealand succeed in leveraging its unique location and becoming the global hub of choice between Asia, Australasia and the Americas, benefiting from the increasing flow of people and goods between these regions. This is an even longer-term ambition, plugging Auckland into the global super connectivity network made up of key hub airports around the world. If we do not do it, chances are that an Australian airport will.

Auckland Airport's goal is to enhance our economic contribution as much as possible and to unlock any constraints. With that in mind, we are taking steps to increase productivity, by investing in smart airport infrastructure, in air-service capacity development and, in conjunction with our key stakeholders, initiating and promoting programmes to attract more tourists and trade to New Zealand. We will keep looking for ways to tap into new growth opportunities. We will keep exploring new partnerships, business extensions, information sources and

technologies as a means of increasing New Zealand's share of growth from these expanding markets.

The board is optimistic about the full 2013 financial year and expects net profit after tax (excluding any fair value changes and other one-off items) to be between \$143.0 million to \$150.0 million. We note with some caution any potential long-term implications from the prevailing volatility in global economies. As always therefore, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances.



Joan Withers
Chair



Simon Robertson
Acting Chief Executive

Financial report 2012

Introduction

In the 2012 financial year the Auckland Airport directors and management team built on the strategic path of the last three years, focusing on our six key strategic themes to grow all areas of the business and striving to achieve the long term aspirations that form our Ambition 2020 goals.



The delivery of business strategies against the strategic themes, have again delivered growth in financial results and profitability. Our reported profit after taxation for the 2012 financial year is \$142.284 million, an increase of 41.2 per cent on prior years reported profit of \$100.761 million. Excluding fair value changes and other one off items, our underlying profit after taxation for the 2012 financial year of \$139.025 million is another significant increase of 15.0 percent on prior year's underlying profit of \$120.870 million.

This financial report for 2012 provides an overview of the financial results and key trends for the year ended 30 June 2012 compared with the previous financial year. It also provides a summary of the company's key performance indicators, financial position, capital expenditure programme and financing sources. Readers are referred to the accompanying notes and accounting policies as set out in the financial statements for a full understanding of the basis on which the financial results are determined.

Key financial results and performance indicators

The company actively monitors a range of key financial results and performance indicators which includes both financial and operating ratios. The key results are shown in the table below:

	2012	2011	%
	\$m	\$m	Change
Income	426.813	397.723	7.3
Expenses	107.524	99.494	8.1
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	319.289	298.229	7.1
EBITDAFI Margin	74.8%	75.0%	(0.2)
Reported profit after tax	142.284	100.761	41.2
Underlying profit after tax	139.025	120.870	15.0

Earnings per share (cents)	10.76	7.65	40.6
Underlying earnings per share (cents)	10.51	9.18	14.5
Ordinary dividends			
- cents per share	10.50	8.70	20.7
- amount	138.869	114.870	20.9

Income, excluding the share of profits from associates, grew by \$29.090 million (7.3 percent) in the 2012 financial year. Key achievements include strong growth in property rental income of 10.1 percent showing return on investment property capital expenditure in the last few years while car park revenue continued to deliver results from its online product delivering revenue growth of 9.5 percent. Other revenue also increased by 7.6 percent with the inclusion of a full year's revenue from Formule 1 hotel.

Despite additional repairs and maintenance and cleaning expenses over the Rugby World Cup and significant increases in rates and insurance premiums, expenses were controlled resulting in EBITDAFI of \$319.289 million, an increase of \$21.060 million (7.1 percent) for the 2012 financial year.

Auckland Airport's share of profits from associates increased to \$9.240 million in 2012, up from \$4.755 million in 2011, significantly contributing to the company's results. Excluding fair value changes and other one off items, Auckland Airport's share of underlying profit from associates for the 2012 financial year is \$6.165 million (2011: \$0.416million).

The key ratios are set out in the table below.

	2012	2011	% change
Financial performance			
Underlying operating EBITDAFI margin	74.8%	75.0%	(0.2)
Underlying profit after tax return on capital employed	5.6%	5.5%	0.1
Financial position and gearing			
Debt/Debt + equity	30.9%	30.5%	0.4
Debt/EBITDAFI	3.47	3.64	(4.6)
Operating efficiencies			
Passengers per operating staff	46,632	46,023	1.3
Operating income per operating staff	\$1,421,020	\$1,362,712	4.3
Operating income per passenger	\$30.47	\$29.61	2.9
Retail income per international passenger	\$16.15	\$15.64	3.3
Car park income per passenger	\$2.73	\$2.60	5.0
Operating staff costs/operating revenue	8.0%	8.2%	(0.2)

Change in dividend policy

On 29 August 2012, Auckland Airport reviewed its dividend policy in light of recent and projected operating performance and cash flow as well as industry best market practice. As a result, the directors of Auckland Airport approved a change in dividend policy to 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury

instruments and other one off items), an increase from 90% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one off items).

This has been applied to the full 2012 financial year; therefore the final dividend declared includes a catch up from the interim dividend which was paid based on the previous dividend policy of 90% of net profit after tax. The final dividend for the year ending 30 June 2012 is 6.10 cents per share (2011: 4.70 cents per share), resulting in a full year dividend for the year ending 30 June 2012 of 10.50 cents per share (2011: 8.70 cents per share).

Underlying profit as a consistent measure of financial performance and success

Directors and management of Auckland Airport understand the critical importance of reported profits meeting accounting standards. In complying with accounting standards users can confidently know that comparisons can be made between different companies and that there is integrity in the reporting approach of an entity. However, we also believe that an underlying profit measurement can assist readers to understand what is happening in a business such as Auckland Airport where revaluation changes can make financial results lumpy or where one off transactions (both positive and negative) can make the comparisons of profits between years difficult.

For several years now Auckland Airport has referred to underlying profits alongside reported results. We do so when we report our results but also when we give market guidance (where we exclude fair value changes and other one off items) or when we consider dividends (our dividend policy is to pay 100% of net profit after tax – excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one off items). However, in doing so we also acknowledge our obligation to show users how we have derived our underlying result.

The table below shows how we reconcile between reported profit after tax and underlying profit after tax for both the 2012 and 2011 financial years:

Profit after tax	2012			2011		
	Reported earnings \$000's	Adjustments \$000's	Underlying earnings \$000's	Reported earnings \$000's	Adjustments \$000's	Underlying earnings \$000's
EBITDAFI per Income Statement	319,289	-	319,289	298,229	-	298,229
Share of profit of associates	9,240	(3,075)	6,165	4,755	(4,339)	416
Gain on sale of an associate	-	-	-	1,240	(1,240)	-
Derivative fair value (decreases)/ increases	(2,148)	2,148	-	3,503	(3,503)	-
Property, plant and equipment fair value movements	-	-	-	(63,465)	63,465	-
Investment property fair value increases	1,350	(1,350)	-	21,640	(21,640)	-
Depreciation	(64,483)	-	(64,483)	(56,843)	-	(56,843)
Interest expense and other finance costs	(68,958)	-	(68,958)	(70,417)	-	(70,417)
Taxation expense	(52,006)	(982)	(52,988)	(37,881)	(12,634)	(50,515)
Profit after tax	142,284	(3,259)	139,025	100,761	20,109	120,870

We have made the following adjustments to show underlying profit after tax in the 2012 and 2011 financial years:

- We have reversed out the impact of revaluations of investment property in 2012 and 2011. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year can be too short for measuring success in this area. Changes between years can be volatile and will therefore

impact comparisons. Finally, the revaluation is unrealised and therefore is not considered when determining dividends in accordance with the dividend policy.

- The group recognises gains/ (losses) in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted. These gains/(losses), like investment property, is unrealised but will also reverse out over the life of the hedge and as the benefits are realised the value of the hedge will decrease in value and will therefore be reversed as a loss in value in the future.
- To be consistent we have adjusted the revaluations of investment property and financial instruments that are contained within the share of profit of associates in 2012 and 2011.
- In the 2011 financial year, the group performed a revaluation of property, plant and equipment with the asset valuation decreases recognised in the income statement and asset valuation increased recognised in the revaluation reserve within equity. Property, plant and equipment revaluations are not carried out annually with the company performing a revaluation at least once every five years (making comparisons even more volatile). As with the investment property revaluation the total revaluation is unrealised and therefore is not considered when determining dividends and is therefore excluded from underlying profit.
- In the 2011 financial year, the company sold an associate (HMSC-AIAL Limited) and made a gain on the sale. This is a one-off transaction that we have reversed out in order to make the comparison to the current year in which no sale of associates were made.
- We also adjust for the taxation impacts of the above adjustments in both 2012 and 2011.

Adjusting for one-off items and non-cash fair value changes, underlying profit for the 2012 financial year was \$139.025 million, an increase of 15.0 percent from the 2011 financial year. Earnings per share on underlying profit were 10.51 cents per share in 2012, compared with 9.18 cents per share in 2011, an increase of 14.5 percent.

Passenger volumes drive growth and revenue

Passenger volumes are the most important driver of value for Auckland Airport. In particular, international passengers provide greater aeronautical revenue than domestic passengers and also spend more on retail opportunities within the terminals.

	2012	2011	% change
Auckland passenger movements			
International arrivals	3,577,874	3,401,737	5.2
International departures	3,616,101	3,420,464	5.7
International passengers excluding transits	7,193,975	6,822,201	5.4
Transits passengers	575,232	569,844	0.9
Total international passengers	7,769,207	7,392,045	5.1
Total domestic passengers	6,236,915	6,040,265	3.3
Total passenger movements	14,006,122	13,432,310	4.3

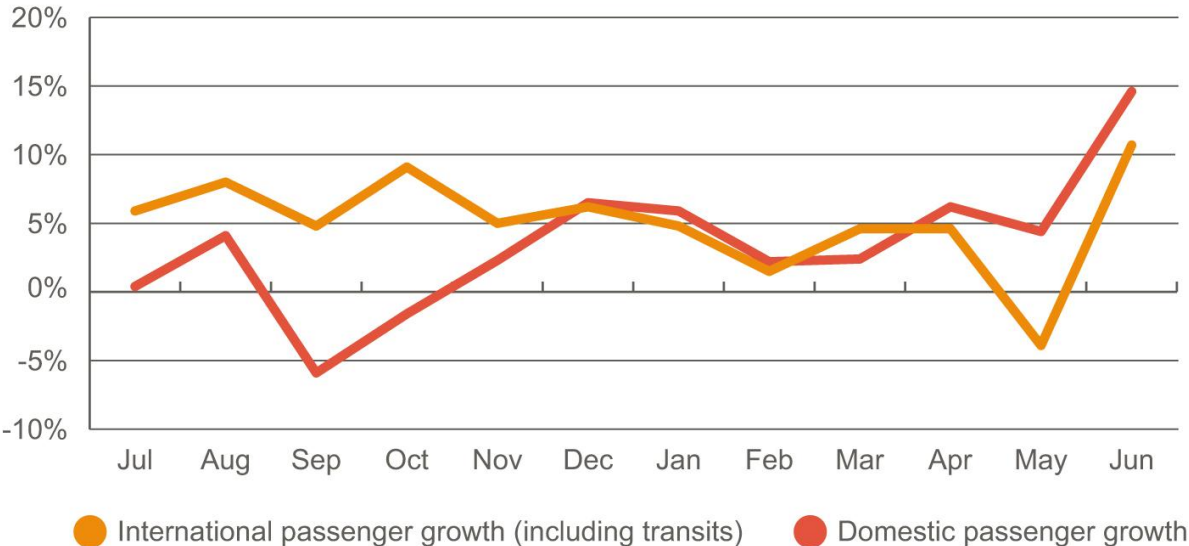
There is a restatement of international transit passenger numbers in the 2011 financial year. The source of this data is from Immigration New Zealand and they refined their methodology in November 2011.

In 2012, Auckland Airport processed over 14 million passengers – a milestone for the airport and 4.3 percent passenger growth on prior year including 5.4 percent increase in international passengers (including transits). Some of this increase can be attributed to the adverse events in 2011 including the Christchurch earthquake, the Chilean ash cloud and the Japanese tsunami

which had a negative impact on passenger numbers in 2011, while international passenger growth was also boosted in August – October 2011 during the Rugby World Cup. International route development continues to contribute to international passenger growth with 2012 seeing a full year of services beginning at the end of the 2011 financial year including China Southern services to Guangzhou and Jetstar services to Singapore. In addition, China Southern moved to daily return services to Guangzhou in November 2011 increasing capacity by a further 90,000 seats and Air New Zealand increased frequency to Shanghai and added new seasonal services to Bali and the Sunshine Coast. However, we did also see some downside in airline route decisions which saw the withdrawal of services from Qantas to Los Angeles, Royal Brunei to Brunei and Aerolineas Argentina to Buenos Aires.

Domestic passenger numbers have also rebounded after the withdrawal of Pacific Blue in the prior financial year, with increased capacity taken up by Air New Zealand and a new service added by Jetstar from Auckland to Dunedin adding a significant 129,000 seat capacity to domestic routes.

Passenger growth rates 2012



Passenger arrivals by country of last residence

New Zealanders and Australians based on country of last permanent residence, collectively made up 66.0 percent of international passenger arrivals at Auckland Airport.

The strongest international passenger growth again came from China, with an increase of 31.9 percent, higher than the 26.5 percent increase seen in 2011, and resulting in China surpassing United States of America as the fourth highest passenger arrivals to Auckland, after New Zealand, Australia and the United Kingdom. This growth can be attributed to continued route development work in the Chinese market and particularly China Southern's move to daily return flights in November 2011. Growth also continued from other Asia countries including Singapore (24.7 percent) and Hong Kong (9.9 percent). This increase in China and other Asia country arrivals reaffirmed directors' and managements' belief in the growth from this region and lead to the launch of Ambition 2020 in June 2012, a campaign led by Auckland Airport with a focus on

growing route development and international passenger arrivals from three key growth regions – Australia, Asia and America.

The Rugby World Cup in October 2011 also contributed strongly to the increase in arrivals from rugby-mad nations, particularly France (65.7 percent), South Africa (43.5 percent) and Australia (10.2 percent).

Country of Last Permanent Residence	2012 Arrivals	%	2011 Arrivals	%	% change
New Zealand	1,644,836	46.0	1,589,069	46.7	3.5
Australia	715,115	20.0	649,017	19.1	10.2
United Kingdom	173,767	4.9	179,887	5.3	(3.4)
People's Republic of China	168,950	4.7	128,064	3.8	31.9
United States of America	150,766	4.2	154,772	4.5	(2.6)
Japan	56,085	1.6	63,724	1.9	(12.0)
Germany	49,370	1.4	50,814	1.5	(2.8)
Republic of Korea	43,822	1.2	47,232	1.4	(7.2)
Canada	42,918	1.2	42,139	1.2	1.8
France	32,203	0.9	19,438	0.6	65.7
India	28,844	0.8	30,177	0.9	(4.4)
Singapore	27,196	0.8	21,801	0.6	24.7
Hong Kong	24,425	0.7	22,223	0.7	9.9
Fiji	22,010	0.6	20,295	0.6	8.5
South Africa	20,741	0.6	14,454	0.4	43.5
Other / Not captured	376,826	10.5	368,631	10.8	2.2
Total Arrivals	3,577,874	100.0	3,401,737	100.0	5.2

Source: Statistics New Zealand

Overseas visitor arrivals by purpose of visit

The most popular purposes of visit remain holidays (23.0 percent) and visiting friends and relatives (17.5 percent). The broad mix of purpose of visit for overseas travellers through Auckland Airport combined with a strong origin traffic base (New Zealand outbound), the attractiveness of New Zealand's destinations and the mix of origin of inbound passengers provide Auckland Airport with a robust base of passenger volumes.

Purpose of Visit	2012	2011	% Change	% of Total
Business/ Conference	498,570	490,811	1.6	14.0
Holiday/Vacation	820,880	766,700	7.1	23.0
Education/Medical	88,320	87,708	0.7	2.5
Visit Friends/Relatives	623,584	574,788	8.5	17.5
Other (incl. Not stated/Not Captured)	1,531,371	1,466,464	4.4	43.0

Source: Statistics New Zealand

Aircraft volumes

	2012	2011	% of Change
Aircraft movements			
International aircraft movements	45,094	43,782	3.0
Domestic aircraft movements	110,421	110,508	(0.1)
Total aircraft movements	155,515	154,290	0.8
MCTOW (maximum certificated take-off weight)			
International MCTOW	4,167,792	4,007,728	4.0
Domestic MCTOW	1,733,819	1,682,824	3.0
Total MCTOW	5,901,611	5,690,552	3.7

Total aircraft movements were 155,515, an increase of 0.8 percent from 2011. International aircraft movements increased by 3.0 percent, while domestic aircraft movements decreased by 0.1 percent.

The company's airfield income is determined from the MCTOW (maximum certificated take-off weight) of aircraft landing at Auckland Airport. The total MCTOW was 5,901,611 tonnes, an increase of 3.7 percent from 2011. Total international MCTOW increased 4.0 percent largely driven by new international services and up-gauging of aircraft. In particular, Air New Zealand MCTOW increased through up-gauging of aircraft to Japan and increased frequency of flights to China and Bali. China Southern Airlines MCTOW increased as a result of moving from three return services per week to daily return services from November 2011. New services launched at the end of last financial year including China Airlines (to Taipei via Brisbane) and Jetstar (to Singapore) also contributed to growth in MCTOW in 2012.

Total domestic MCTOW increased by 3.0 percent due to additional services by Air New Zealand and Jetstar and after the withdrawal of Pacific Blue from domestic services in October 2010.

Financial performance

Income

Auckland Airport's total income was \$426.813 million in 2012, an increase of \$29.090 million (7.3 percent) over 2011.

	2012 \$m	2011 \$m	% change
Operating revenue			
Airfield income	77,299	72,529	6.6
Passenger Services Charge	83,081	78,760	5.5
Terminal services charge	28,604	28,342	0.9
Retail income	120,863	111,150	8.7
Rental income	54,974	49,927	10.1
Car park income	36,620	33,437	9.5
Interest income	1,570	1,460	7.5
Other income	23,802	22,118	7.6
Total revenue	426,813	397,723	7.3

Airfield income

Airfield landing charges are based on the MCTOW of aircraft. The 3.7 percent increase in MCTOW, as discussed above, along with scheduled price increases resulted in 6.6 percent increase in airfield income in 2012.

Passenger services charge

The passenger services charge (PSC) is levied on airlines for departing and arriving international passengers (excluding transits) 12 years old and over and provides part of the company's return on its aeronautical assets. The PSC levy for the 2012 period was \$12.44 excluding GST, for both departing and arriving travellers (2011: \$12.44 excluding GST). Given the flat PSC levy year on year, the increase in PSC income of 5.5 percent is consistent with the increase in international passengers of 5.4 percent.

Terminal services charge

The terminal services charge (TSC) reflects a rental for space as well as capital and cost recoveries from the airlines for international terminal operational areas, and is based on an agreed formula applied each year. The TSC was \$28.604 million, an increase of 0.9 percent over 2011.

New pricing path from 1 July 2012

On 7 June 2012, Auckland Airport announced its new pricing path for the five year period from 1 July 2012 to 30 June 2017. This included a change in the pricing architecture of Auckland Airport's aeronautical pricing which will result in a different breakdown of aeronautical income in the financial accounts from 1 July 2012. Some of the key changes include:

- Airfield income: Reset domestic and international MCTOW charges to the same rate for the same weight
- PSC:
 - Now applies to International Passengers (IPC) and Domestic Passengers (DPC)
 - Incorporates charges previously included in terminal services charge
 - Now applies to 2-11 year olds (Child IPC – at 50% from 1 July 2012 and at a full rate from 1 July 2013, Child DPC – full rate from 1 July 2012)
 - Transit and transfer charge (TPC) introduced to cover transit and transfer services previously incorporated in TSC
- TSC: Abolished from 1 July 2012

Retail income

The company earns concession revenue from retailers within the domestic and international terminal, including duty free and specialty stores, foreign exchange and food and beverage outlets. Total retail income was \$120.863 million, an increase of \$9.713 million (8.7 percent) over 2011.

International passengers are the highest passenger spenders and therefore the highest value drivers for retail income. Retail income per international passenger (including transits and transfers) was \$16.15 in the 2012 financial year compared with \$15.64 in 2011 year, and international passenger spend rates increased 5.2 percent in 2012 over 2011. This improved performance is driven by both the completion of the development in the international terminal

departures landside and airside areas, as well as increased passenger spend rates over the Rugby World Cup period in September and October 2011.

Rental income

Auckland Airport earns rental income from space leased in facilities such as terminals and cargo buildings, and standalone investment properties. Rental income across the business was \$54.974 million in 2012, an increase of \$5.047 million (10.1 percent) over 2011. Following significant capital expenditure on investment properties in the last few years, rental income is showing return on these investments including new rental income from NZ Food and Innovation, DSV Sea and Air, Mercedes Benz, AVSEC HQ, Travel Careers and Training and the Novotel ground lease. New leases and positive rent reviews on existing property also contributes to the growth in property rental income.

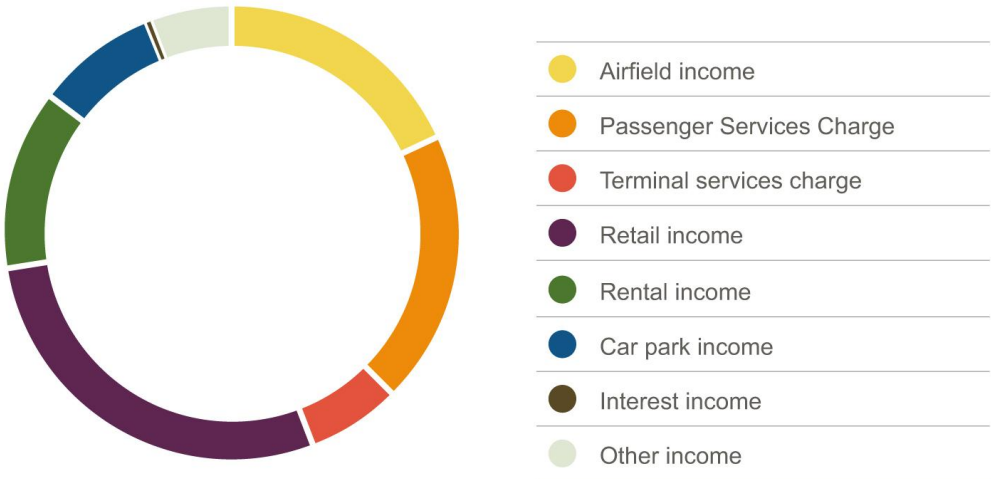
Car park income

At 30 June 2012, the company had 8,595 car parks, an increase of 6.5 percent from 7,988 as at 30 June 2011. Car park revenue was \$36.620 million in 2012, an increase of \$3.183 million (9.5 percent) over 2011, due to the increase in car park facilities and improved performance through yield management driven by another successful year of the online car parking product.

Other income

Other income includes utilities (sale of electricity, gas and water), rates recoveries from tenants, transport license fees, and in 2012 included revenue from Formule 1 hotel which was not in operation in 2011. Total income from these sources was \$23.802 million, an increase of \$1.684 million (7.6 percent) over 2011, primarily due to the addition of revenue from Formule 1 hotel operation.

2012 income by source



Expenses

Total operating expenses (excluding depreciation and interest) were \$107.524 million in 2012, an increase of \$8.030 million (8.1 percent) over 2011.

	2012 \$m	2011 \$m	% change
Operating expenses			
Staff	34,326	32,607	5.3
Asset management, maintenance and airport operations	36,717	32,854	11.8
Rates and insurance	9,082	7,829	16.0
Marketing and Promotions	12,207	11,751	3.9
Other	15,192	14,453	5.1
Total operating expenses	107,524	99,494	8.1

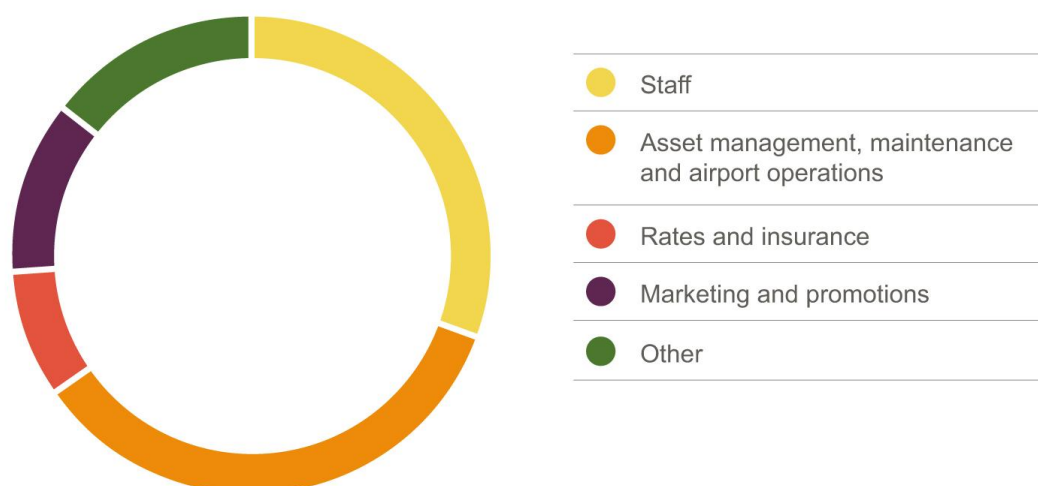
The increase in staff costs is reflective of the average increase in employee remuneration in line with inflation and market adjustments, a small increase in the number of permanent employees, new staff costs relating to the Formule 1 hotel operations as well as additional casual staff brought on during the Rugby World Cup.

Asset management, maintenance and airport operations expenses increased \$3.863 million (11.8 percent) over 2011. 2012 saw an increase in repairs and maintenance and cleaning expenses due to additional work performed around the airport in preparation of and during the Rugby World Cup. Other expenses contributing to this increase include the increase in electricity costs reflective of overall price increases, the outsourcing of airport bus operations and new charges associated with the new Emperor Lounge.

Rates and insurance increased \$1.253 million (16.0 percent) over 2011, due to increase in insurance premiums from the prior year in light of the recent natural disasters in NZ and around the world. Council rates also increased 11.0 percent from 2011.

The increase in marketing and promotions of \$0.456 million (3.9 percent) is driven by marketing expenses to support new route development activities such as those with China Southern, China Airlines and Jetstar. This expenditure continues to drive results, including China Southern's move to daily services after the successful launch of this route, therefore increasing capacity and providing more choice for passengers.

2012 expenses by category



Depreciation

Depreciation expense was \$64.483 million, an increase of \$7.640 million (13.4 percent) over 2011. This increase reflects the increase in capital expenditure in the period as well as the increase in the carrying value of assets following the valuation of plant, property and equipment performed in 2011 therefore increasing depreciation.

Taxation

Taxation expense was \$52.006 million for the 2012 financial year, an increase of \$14.125 million (37.3 percent) over 2011, reflecting the 40.1 percent increase in profit before taxation for the year.

Share of profit of associates

Total share of profit from associates in 2012 totalled \$9.240 million comprising North Queensland Airports (\$5.824 million), Novotel Hotel (\$2.088 million) and Queenstown Airport (\$1.328 million). This increase of \$4.485 million (94.3 percent) from 2011 is due to the additional income from Novotel which opened in June 2011, and significant increase in net profit of North Queensland Airports.

Included in the 2012 share of profit from associates of \$9.240 million (2011: \$4.755 million) is NQA's fair valuation gain on investment property of \$1.827 million (2011: \$4.339 million), Novotel Hotel's fair valuation gain on investment property of \$1.566 million (2011: nil) and Novotel Hotel's fair valuation loss on financial instruments of \$0.318 million (2011: nil). Excluding these fair value changes, Auckland Airport's share of underlying profit from associates is \$6.165 million for the 2012 financial year (2011: \$0.416 million).

North Queensland Airports

The company's share of North Queensland Airports' (NQA) net profit after tax for the 2012 financial year was \$5.824 million, an increase of NZ\$2.199 million (60.7 percent) over 2011. NQA's strong performance in 2012 was underpinned by an increase in international passenger numbers of 3.5 percent, combined with cost control and efficiencies driving an increase in Operating EBITDAFI of AU\$10.602 million (17.8 percent). This growth in Operating EBITDAFI combined with a reduction in interest cost and a decrease in tax, slightly offset by a reduction in investment property fair valuation, contributed to strong net profit growth for NQA.

Passenger numbers increased slightly at both Cairns and Mackay, with international passengers (including transits) up 3.5 percent over 2011 despite continued challenges in the Cairns to Japan market, and very strong domestic passenger growth of 4.3 percent despite downward trend in domestic air travel in Australia.

The company received a total of AU\$10.311 million in dividends from its investment in NQA in the 2012 financial year (including AU\$2.577 million declared and receivable as at 30 June 2012), compared to AU\$6.750 million in the 2011 financial year (including AU\$2.946 million declared and receivable as at 30 June 2011).

	2012	2011	% change
Domestic Passenger Volume (Cairns and Mackay Airports)	4,405,202	4,224,574	4.3
International Passenger Volume (excluding transits) (Cairns Airport)	645,589	674,295	-4.3

International Passenger Volume (including transits) (Cairns Airport)	775,999	749,488	3.5
Total Passengers (Cairns and Mackay Airports)	5,181,201	4,974,062	4.2
Operating EBITDAFI	AU\$70.087 million	AU\$59.485 million	17.8
Dividends received or receivable	AU\$10.311 million	AU\$6.750 million	52.7

Queenstown Airport

The company's share of Queenstown Airport's net profit after tax for the 2012 financial year was \$1.328 million, an increase of \$0.219 million (19.7 percent) over 2011. Queenstown Airport had another strong performance in 2012 with international passenger growth of 21.2 percent and domestic passenger growth of 11.6 percent. Jetstar have continued to increase route development from Queenstown, increasing international services to Sydney and Melbourne and domestically to Auckland and Wellington, consequently driving overall passenger demand for this destination.

The company received a dividend for the first time from its investment in Queenstown Airport of \$1.072 million in the 2012 financial year.

	2012	2011	% change
Domestic Passenger Volume	851,795	763,159	11.6
International Passenger Volume	195,249	161,089	21.2
Total Passengers	1,047,044	924,248	13.3
Operating EBITDA (\$'000)	11,529	9,881	16.7
Dividends received or receivable (\$'000)	1,072	-	-

Novotel Hotel

Auckland Airport has a 20% investment in the Novotel Hotel joint venture along with Tainui Holdings and Accor Hotel Group. In the 2012 financial year, Auckland Airport recorded a share of profit before tax from associates from this investment of \$2.088 million, the first full year result after the hotel opened in June 2011.

Novotel occupancy rates were 82.0 percent for the full year to 30 June 2012.

Dividends

Ordinary dividends for the 2012 financial year will total 10.50 cents per share (1.80 cents per share higher than last year) or \$138.869 million in total. Excluding unrealised gains and losses from property revaluations and treasury instruments as well as other one-off items, this equates to a dividend pay-out ratio of 99.9 per cent of underlying profit compared with 95.0 per cent in 2011.

Auckland Airport directors have approved a change in dividend policy to 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one off items), an increase from 90% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one off items).

While Auckland Airport maintains the Dividend Reinvestment Plan (DRP), there is no current need for the new equity from a DRP therefore the directors have approved a continued suspension of the DRP for the 2012 final dividend.

The final dividend of 6.10 cents per share will be paid on 19 October 2012 to shareholders on the register at the close of business on 5 October 2012. The dividend will carry full imputation credits. In addition, the normal supplementary dividend, sourced from corresponding tax credits available to the company, will be paid to non-resident shareholders.

Cash flow

	2012 \$m	2011 \$m	% change
Net cash inflow from operating activities	196.725	174.941	12.5
Net cash inflow/(outflow) from investing activities	(70.334)	(82.280)	-14.5
Net cash inflow/(outflow) from financing activities	(129.695)	(82.567)	57.1
Net increase/(decrease) in cash held	(3.304)	10.094	-132.7

Net cash inflow from operating activities was \$196.725 million, an increase of \$21.784 million (12.5 percent) from 2011, representing the strong operating performance in 2012.

Net cash outflow applied to investing activities was \$70.334 million, a decrease of \$11.946 million from (decrease of 14.5 percent) from 2011. This is due to the \$31.550 million investment in Queenstown Airport in prior year (July 2010), offset by an increase in capital expenditure in the current year.

Net cash outflow applied to financing activities was \$129.695 million, an increase of \$47.128 million (57.1 percent) from 2011. This is a result of the DRP which took place for the 2011 interim dividend in April 2011 reducing the net amount of dividends paid in the 2011 financial year. For the 2011 final dividend in October 2011 the company performed a share buyback for the equivalent amount of the DRP and for the 2012 interim dividend in April 2012 the company suspended the DRP, therefore increasing the net amount of dividends paid in the 2012 financial year. Refinancing of maturing debt in the 2012 financial year also resulted in a net decrease in borrowings of \$10.846 million therefore increasing cash outflow from financing activities.

Financial position

As at 30 June	2012 \$m	2011 \$m	% change
Non-current assets	3,806.269	3,788.749	0.5
Current assets	69.264	77.461	-10.6
Total assets	3,875.533	3,866.210	0.2
Non-current liabilities	1,158.503	899.605	28.8
Current liabilities	244.263	499.074	-51.1
Equity	2,472.767	2,467.531	0.2
Total equity and liabilities	3,875.533	3,866.210	0.2

As at 30 June 2012, total assets amounted to \$3,875.533 million, a small increase of \$9.323 million (0.2 percent) from 2011. Upward movements include capital expenditure additions to

investment property and an increased valuation in derivative financial assets, offset by downward movements in plant, property and equipment, investment in associates and cash on hand as at 30 June 2012.

Shareholders' equity was \$2,472.767 million, an increase of \$5.236 million (0.2 percent) over 2011.

Gearing (measured as debt to debt plus shareholders' equity) increased marginally to 30.9 percent as at 30 June 2012, from 30.5 percent as at 30 June 2011.

Capital structure and credit rating

Standard & Poor's (S&P) long term credit rating of Auckland Airport remains at "A-" (A minus) and the short-term rating is "A2". An A- rating by Standard & Poor's reflects the strength of Auckland Airport and its ability to meet its financial commitments.

The directors are committed to retaining the company's strong credit rating and balance sheet position. The company has one of the highest credit ratings of all Australasian airports. The balance sheet continues to be prudently managed in the current challenging business and financing environment.

Capital expenditure

Category	Amount \$m	Key projects
Aeronautical	25.520	Scheduled runway slab replacements, Joint User Hydrant Installation (JUHI) road realignments, acoustic treatment in schools, new Emirates VIP Lounge.
Property	49.269	Quad 5 Office One, TOLL warehouse facility, CEVA Logistics warehouse, Abbeville Farm Estate, Standalone and Multi-unit warehouse.
Retail and car parking	5.241	International and Domestic car park expansion, International terminal ground floor arrivals, Emperor Lounge.
Infrastructure and other	3.111	IT system upgrades, network connection to Quad 5, other IT expenditure.
Total	83.141	

The company invested \$83.141 million (2011: \$74.774 million) during the year, including capitalised interest, in a range of projects across the business primarily in aeronautical improvements and investment property development. Capital expenditure is within guidance provided at the FY12 interim results of between \$80 and \$90 million.

Aeronautical capital expenditure included scheduled runway slab replacement, road alignments within the terminal area around the JUHI fuel store and acoustic treatment and noise mitigation treatment for nearby schools.

Property capital expenditure was \$49.269 million in 2012, including the development of the first new office building in the Quad precinct, logistic warehouse facilities for Toll and CEVA, the redevelopment of historic land and buildings in the stunning new Abbeville Farm Estate events centre, and other warehouse facilities developed to meet increased demand.

Retail and car parking capital expenditure was low compared to recent years after the completion of the international terminal development in the 2011 financial year. Capital expenditure in 2012

included car park expansion in the domestic and international facilities, international terminal arrivals redevelopment and completion of the Emperor Lounge.

Forecast capital expenditure for the 2013 financial year is expected to be between \$100 and \$110 million, including new taxi-way and shoulder access to Pier B and existing Domestic Terminal modifications, but excludes any yet to be committed expenditure on the New Terminal Facility. The forecast property capital expenditure includes already committed and expected projects, but excludes any yet to be committed property development which may result from demand during the year.

Category	Forecast 2013 \$m
Property	30
Aeronautical	66
Retail and car parking	5
Infrastructure and other	3
Total capital expenditure	104

Financing and Interest

Interest expense and other finance costs were \$68.958 million, a decrease of 2.1 percent over 2011. The average borrowing interest rate was 6.52 percent for the 2012 financial year compared with 6.58 percent in 2011.

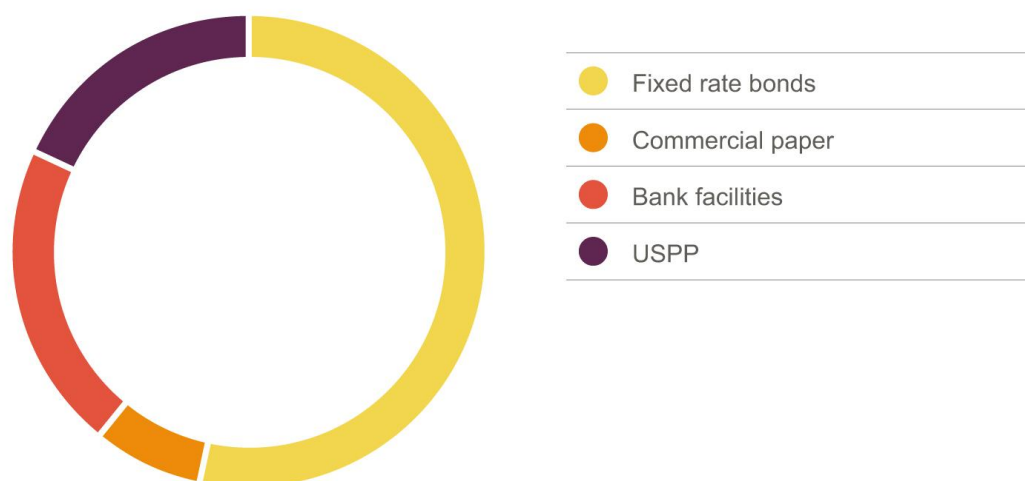
As at 30 June 2012, the company's total borrowings were \$1,108.730 million, an increase of \$24.084 million (2.2 percent) over 2011 as a result of fair valuation on bonds and USPP borrowings, slightly offset by net decrease in borrowings of \$10.846 million. The company's borrowings include commercial paper totalling \$81.800 million, drawn bank facilities totalling \$226.053 million, USPP notes totalling \$212.507 million and fixed rate bonds totalling \$588.370 million.

Short-term borrowings with a maturity of one year or less accounted for \$181.800 million (16.4 percent of total borrowings), a decrease from prior year after the repayment of maturing bonds and bank facilities during the year. The final tranche of USPP was drawn down in July 2011 for US\$50.000 million (NZ\$65.617 million) to repay the maturing fixed rate bond and floating rate notes. A NZ\$135 million and AU\$40 million multi-currency bank facility was entered into in October 2011 and NZ\$100 million bonds were issued in October 2011, both of which were issued to refinance the maturing \$275 million bank facility in March 2012.

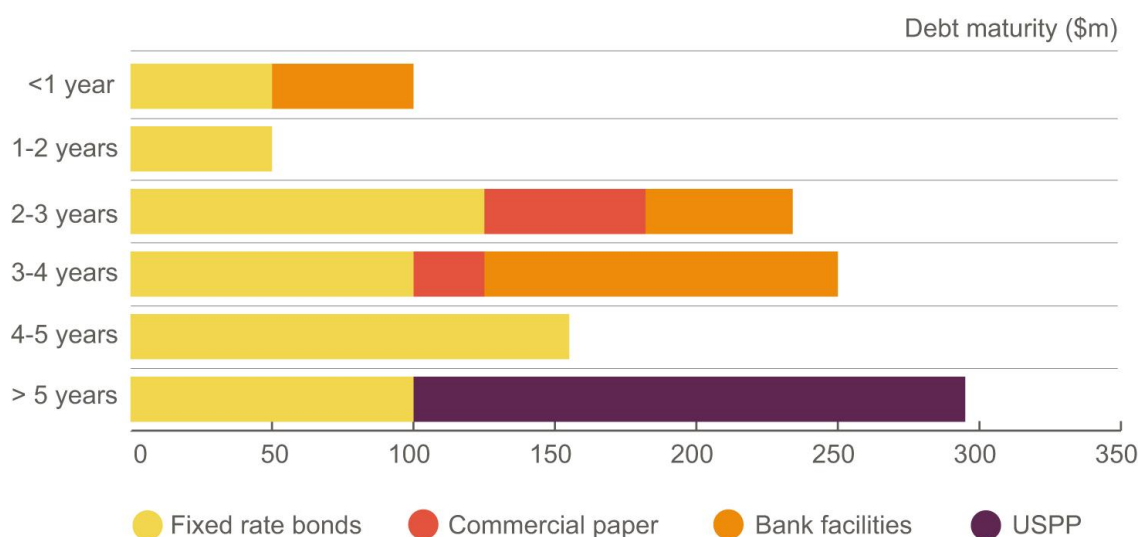
The company has total bank facilities of \$436.053 million, of which \$226.053 million was drawn as at 30 June 2012, with \$210.000 million available facilities as at year end. As at 30 June 2012, total bank facilities include a \$100.000 million syndicated cash advance facility of which \$50.000 million is drawn, a \$150.000 million standby facility of which \$125.000 million is drawn, and a NZ\$135.000 million and AU\$40.000 million multi-currency bank facility, of which the NZ\$135.000 million facility is undrawn and the AU\$40.000 million facility is fully drawn.

The standby facility and the multi-currency bank facility both support the commercial paper programme (current balance of \$81.800 million as at 30 June 2012) through the availability of same day drawdowns and provide liquidity support for general working capital.

Borrowings by category



Debt maturity profile as at 30 June 2012



The company manages its exposure to financial risk on a prudent basis. This is achieved by spreading borrowings over different roll-over and maturity dates, and entering into financial instruments such as interest rate swaps in accordance with defined treasury policy parameters. The average debt maturity of drawn debt as at 30 June 2012 is 4.46 years.

Measures have been adopted which have diversified the funding sources, maintained committed but undrawn credit facilities, and reduced the impact of interest rate fluctuations by maintaining a policy mandated level of fixed rate borrowings. Further details on the company's financial risk management objectives and policies are set out in Note 21 of the financial statements.

Auckland Airport has a foreign currency exposure to the translation of the investment in NQA from AUD to NZD in its balance sheet and on a consolidated group level; any movement in the

value of this investment due to foreign currency translation is taken to the Foreign Currency Translation Reserve (FCTR). During the 2012 financial year the company drew down AU\$40 million on a new multi-currency bank facility as a partial net investment hedge of the currency exposure on this investment. At a parent level the FX movements on the bank facility are taken to the profit and loss (as the hedged item (Investment in NQA) is held within another company in the group), but on a consolidated group level the FX movements on the bank facility are taken to the FCTR to offset the movements from the revaluation of the investment.

Results at a Glance			
	30 June 2012 \$m	30 June 2011 \$m	Movement %
Financial Results			
Income	426.813	397.723	7.3
Expenses	107.524	99.494	8.1
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	319.289	298.229	7.1
Share of profits of associates	9.240	4.755	94.3
Investment property fair value increases	1.350	21.640	-93.8
Property, plant and equipment net downward revaluation movement	-	(63,465)	100.0
Depreciation	64.483	56.843	13.4
Derivative fair value movement	(2.148)	3.503	N.A
Interest expense	68.958	70.417	-2.1
Taxation expense	52.006	37.881	37.3
Reported profit after taxation	142.284	100.761	41.2
Earnings per share	10.76 c	7.65 c	40.7
Underlying profit after taxation ¹	139.025	120.870	15.0
Underlying earnings per share	10.51 c	9.18 c	14.5
Dividends			
Total proposed dividend for the year (cents per share)	10.5 c	8.70 c	20.7
Total proposed dividend for the year (\$ million)	138.869	114.871	20.9
Financial Position			
Shareholders' equity	2,472.767	2,467.531	0.2
Total assets	3,875.533	3,866.210	0.2
Debt to debt plus equity	31.0%	30.5%	0.5
Debt to enterprise value ²	25.8%	27.2%	-1.4
Capital expenditure	83.141	74.772	11.2
Passenger and aircraft statistics – Auckland Airport			
International passenger movements including transits	7,769,207	7,392,045	5.1
Domestic passenger movements	6,236,915	6,040,265	3.3
Maximum certificated take-off weight (tonnes)	5,901,611	5,690,552	3.7
Aircraft movements	155,515	154,290	0.8
North Queensland Airports performance			
	30 June 2012	30 June 2011	
Cairns international passenger movements including transits	775,999	749,488	3.5
Cairns domestic passenger movements	3,284,783	3,184,220	3.2
Mackay domestic passenger movements	1,120,419	1,040,354	7.7
Revenue ³	AUD 111.700	AUD 102.726	8.7
EBITDAFI ³	AUD 70.087	AUD 59.530	17.7
Profit after taxation ³	AUD 18.438	AUD 11.407	61.6
Queenstown Airport performance			
International passenger movements	195,249	161,089	21.2
Domestic passenger movements	851,795	763,159	11.6
Revenue ³	17.457	15.579	12.1
EBITDAFI ³	11.529	9.881	16.7
Profit after taxation ³	5.173	4.576	13.0

¹ Excluding Investment property fair value increases, derivative fair value movements and the tax effect of these adjustments in 2012. Excluding one-off gain on sale of associate, investment property fair value increase, the component of property plant and equipment revaluation with an impact on the Income Statement, derivative fair value increase and tax effect of these adjustments in 2011. Refer to Appendix A attached for a reconciliation of these adjustments.

² Based on the share price as at 30 June 2012 of \$2.44.

³ From non-audited FY2012 financial statements and audited FY2011 financial statements of North Queensland Airports and Queenstown Airport. The financial results have not been apportioned for the level of ownership interest being 24.55% for North Queensland Airports and 24.99% for Queenstown Airport.

Results at a Glance

Appendix A

	2012			2011		
Profit after tax	Reported earnings \$000's	Adjustments \$000's	Underlying earnings \$000's	Reported earnings \$000's	Adjustments \$000's	Underlying earnings \$000's
EBITDAFI per Income Statement	319,289	-	319,289	298,229	-	298,229
Share of profit of associates ¹	9,240	(3,075)	6,165	4,755	(4,339)	416
Gain on sale of an associate ²	-	-	-	1,240	(1,240)	-
Derivative fair value increases ³	(2,148)	2,148	-	3,503	(3,503)	-
Investment property fair value increases ⁴	1,350	(1,350)	-	21,640	(21,640)	-
Property, plant and equipment revaluation ⁵	-	-	-	(63,465)	63,465	-
Depreciation	(64,483)	-	(64,483)	(56,843)	-	(56,843)
Interest expense and other finance costs	(68,958)	-	(68,958)	(70,417)	-	(70,417)
Other taxation expense ⁶	(52,006)	(982)	(52,988)	(37,881)	(12,634)	(50,515)
Profit after tax	142,284	(3,259)	139,025	100,761	20,109	120,870

¹ Auckland Airport's share of the gain on revaluation of investment property held by NQA for the year ended 30 June 2012 was \$1.827 million (2011: \$4.339 million). Auckland Airport's share of the gain on revaluation of investment property held by Novotel Hotel for the year ended 30 June 2012 was \$1.566 million (2011: nil). Auckland Airport's share of the fair value decrease on the derivative financial instruments held by Novotel Hotel for the year ended 30 June 2012 was \$0.318 million (2011: nil).

² The sale of Auckland Airport's joint venture investment in HMSC-AIAL was a one off gain of \$1.240 million for the year ended 30 June 2011.

³ Movement on the fair valuation of the derivative financial instruments that do not qualify for hedge accounting put in place in conjunction with the US Private Placement (USPP) debt issuance in November 2010.

⁴ The fair value increase of Auckland Airport's investment property portfolio as a result of the revaluation performed as at 30 June 2012 and 30 June 2011.

⁵ The net downward movement in the revaluation of property plant and equipment as at 30 June 2011. The upward movement in the revaluation did not go through the income statement.

⁶ Taxation adjustments as a result of adjustments 1 to 5 above.





Simon Robertson Acting Chief Executive



This annual results presentation dated 30 August 2012 provides additional comment on the media and financial materials released before the market opened on the same date. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that release.



Auckland Airport: Wider Ambition

We have a strong leadership team – ambitious for our growth and the growth of businesses that touch New Zealand’s travel, trade & tourism industries

Simon Robertson – Acting Chief Executive

Peter Alexander – GM Property

Adrian Littlewood – GM Retail & Commercial

Judy Nicholl – GM Aeronautical Operations

Charles Spillane – GM Corporate Affairs

Adam Tyrie – GM Master-planning & Terminal Development

Glenn Wedlock – GM Aeronautical Commercial



High Performance

Outstanding operational and financial performance with revenue up 7.3% and underlying profit up 15.0%.

Performance and healthy cash flow delivers reward for shareholders with full year dividend up 20.7% to 10.50 cps.

Confirmation that strategic direction is delivering results through excellent execution against strategy.

We continue to lift our long-term ambition for what is possible for the airport, tourism, trade volume and value to drive stronger growth.

Ambitious long term growth strategy aimed at providing resilience to global economic uncertainty and to take advantage of reshaping travel markets.



High Performance: Financial Results Summary

	30 June 2012 (\$m)	30 June 2011 (\$m)	% Change
Income	426.813	397.723	7.3
EBITDAFI*	319.289	298.229	7.1
Reported Profit	142.284	100.761	41.2
Underlying Profit	139.025	120.870	15.0

* EBITDAFI means Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates

Profit momentum continues in FY12 with 15.0% growth in underlying profit.

Total aeronautical revenue (Landing charges, PSC and TSC) grew 5.2% in the year, underpinned by 5.1% growth in international passengers and 3.7% growth in MCTOW.

Non-aeronautical revenue saw outstanding growth in the year including property (10.1%), car parking (9.5%) and retail (8.7%).

EBITDAFI grew \$21.1 million reflecting excellent revenue growth.

The contribution of profit from associates lifted 94.3% in FY12 to \$9.240 million. Underlying profit from associates (excluding fair valuation changes) increased to \$6.165 million in FY12 from \$0.416 million in FY11.



High Performance: Operations

85.3% arriving passengers processed under 25 minutes

96.4% of departing passengers processed under 12 minutes

Successful RWC performance

Best Airport in Australia Pacific 4th year in a row in Skytrax

Constructive pricing engagement and a fair outcome

Range of product and service choices greatly expanded

Operational innovations introduced and efficiencies gained



Outstanding Financial Performance

	30 June 2012 (\$m)	30 June 2011 (\$m)	% Change
Revenue	426.813	397.723	7.3
Expenses	107.524	99.494	8.1
EBITDAFI	319.289	298.229	7.1
Share of profit of associates	9.240	4.755	94.3
Gain on sale of associates	-	1.240	(100.0)
PPE revaluation movements	-	(63.465)	100.0
Investment property fair value increases	1.350	21.640	(93.8)
Derivative fair value change	(2.148)	3.503	(161.3)
Depreciation	64.483	56.843	13.4
Interest	68.958	70.417	(2.1)
Reported net profit after tax	142.284	100.761	41.2
Underlying Profit	139.025	120.870	15.0



Underlying Profits: A Reconciliation

	30 June 2012 (\$m)			30 June 2011 (\$m)		
	Reported Earnings (\$m)	Adjustments (\$m)	Underlying Earnings (\$m)	Reported Earnings (\$m)	Adjustments (\$m)	Underlying Earnings (\$m)
EBITDAFI per Income Statement	319.289	-	319.289	298.229	-	298.229
Share of profit of associates	9.240	(3.075)	6.165	4.755	(4.339)	0.416
Gain on sale of an associate	-	-	-	1.240	(1.240)	-
Derivative fair value increases	(2.148)	2.148	-	3.503	(3.503)	-
Investment property fair value increases	1.350	(1.350)	-	21.640	(21.640)	-
Property, plant and equipment revaluation	-	-	-	(63.465)	63.465	-
Depreciation	(64.483)	-	(64.483)	(56.843)	-	(56.843)
Interest expense and other finance costs	(68.958)	-	(68.958)	(70.417)	-	(70.417)
Other taxation expense	(52.006)	(0.982)	(52.988)	(37.881)	(12.634)	(50.515)
Profit after tax	142.284	(3.259)	139.025	100.761	20.109	120.870



Passenger volume growth across all airports

	30 June 2012	30 June 2011	% Change
Auckland Airport			
International passengers (including transits)	7,769,207	7,392,045	5.1
Domestic passengers	6,236,915	6,040,265	3.3
Total passengers	14,006,122	13,432,310	4.3
Queenstown Airport			
International passengers	195,249	161,089	21.2
Domestic passengers	851,795	763,159	11.6
Total passengers	1,047,044	924,248	13.3
NQA - Cairns and Mackay Airports			
International passengers – Cairns	775,999	749,488	3.5
Domestic passengers – Cairns	3,284,783	3,184,220	3.2
Domestic passengers – Mackay	1,120,419	1,040,354	7.7
Total passengers	5,181,201	4,974,062	4.2



Aircraft numbers and MCTOW growth

	30 June 2012	30 June 2011	% Change
Auckland Airport			
Aircraft Movements			
International aircraft movements	45,094	43,782	3.0
Domestic aircraft movements	110,421	110,508	(0.1)
Total aircraft movements	155,515	154,290	0.8
MCTOW (tonnes)			
International	4,167,792	4,007,728	4.0
Domestic	1,733,819	1,682,824	3.0
Total	5,901,611	5,690,552	3.7



Revenue growth across the business

	30 June 2012 (\$m)	30 June 2011 (\$m)	% Change
Airfield income	77.299	72.529	6.6
Passenger Services Charge	83.081	78.760	5.5
Terminal services charge	28.604	28.342	0.9
Retail income	120.863	111.150	8.7
Rental income	54.974	49.927	10.1
Car park income	36.620	33.437	9.5
Interest income	1.570	1.460	7.5
Other income	23.802	22.118	7.6
Total revenue	426.813	397.723	7.3

Non aeronautical revenue saw outstanding growth in the 2012 financial year, including Rental income (10.1%), Car park income (9.5%) and Retail income (8.7%). Retail continued to see improved passenger spend rates in the international terminal after the completion of the development and increased passenger spend rates during the Rugby World Cup, while increased car park capacity and another successful year of the online car parking product contributed to car park growth.

Rental income is showing a return on investments made in prior year including new rental income from NZ Food and Innovation, DSV Air and Sea, Travel Careers and Training and the Novotel ground lease. New leases and positive rent reviews on existing property also contributed to growth in property rental income.



Expenses driven by rates, insurance and RWC

	30 June 2012 (\$m)	30 June 2011 (\$m)	% Change
Staff	34.326	32.607	5.3
Asset management, maintenance and airport operations	36.717	32.854	11.8
Rates and insurance	9.082	7.829	16.0
Marketing and Promotions	12.207	11.751	3.9
Other	15.192	14.453	5.1
Total operating expenses	107.524	99.494	8.1
Depreciation	64.483	56.843	13.4
Interest	68.958	70.417	(2.1)

Total operating expenses increased 8.1% over 2011, however while we saw a 15.3% increase in operating expenses in the six months to December 2011, the six months to June 2012 only saw an increase of 1.5% over the six months to June 2011, and a decrease of 2.7% over the six months to December 2011.

Asset management, maintenance and airport operations saw an increase in 2012 due to additional repairs, maintenance and cleaning activity around the airport in preparation for and during the Rugby World Cup as well as further outsourcing.

Marketing and promotion expenses increased 58% in the six months to December 2011 compared with 2010, but decreased in the 6 months to June 2012 due to the completion of marketing campaigns resulting in a modest increase of 3.9% for the 2012 financial year.

Rates and insurance increased \$1.253 million (16.0%) over 2011, due to increase in insurance premiums from prior year in light of the recent natural disasters in NZ and around the world. Council rates also increased 11.0% from 2011.



NQA business performing well

	30 June 2012	30 June 2011	% Change
Domestic Passenger Volume - Cairns and Mackay Airports	4,405,202	4,224,574	4.3
International Passenger Volume (including transits) - Cairns Airport	775,999	749,488	3.5
Total Passengers	5,181,201	4,974,062	4.2
Operating EBITDAFI	AU\$70.087 million	AU\$59.485 million	17.8
Dividends received and receivable	AU\$10.311 million	AU\$6.751 million	52.7

Passenger numbers increased at both Cairns and Mackay, with international passengers (including transits) up 3.5% over 2011 despite continued challenges in the Cairns to Japan market, and very strong domestic passenger growth of 4.3% despite downward trend in domestic air travel in Australia.

Auckland Airport received a total of AU\$10.311 million in dividends from its investment in NQA in the 2012 financial year, compared to AU\$6.751 million in dividends received in the 2011 financial year.

Auckland Airport sought an independent valuation report on its investment in NQA. This report gives the stake a valuation range of AU\$176 to AU\$192 million, compared to the carrying value of AU\$112 million as at 30 June 2012.



Queenstown exceptional growth continues

	30 June 2012	30 June 2011	% Change
Domestic Passenger Volume	851,795	763,159	11.6
International Passenger Volume	195,249	161,089	21.2
Total Passengers	1,047,044	924,248	13.3
Operating EBITDAFI (\$'000)	11,529	9,881	16.7
Dividends received and receivable (\$'000)	1,072	-	-

Queenstown Airport had another stellar performance in 2012 with international passenger growth of 21.2% and domestic passenger growth of 11.6%.

Auckland Airport received a dividend for the first time from its investment in Queenstown Airport of \$1.072 million in the 2012 financial year.

July 2012 month saw Queenstown exceed Wellington as the third largest port of international visitor arrivals, not far behind Christchurch who were second.



Strong balance sheet in uncertain times

Debt ratios	30 June 2012	30 June 2011
Average interest rate for the year	6.5%	6.6%
Underlying EBITDAFI Interest cover ratio	4.36	4.16
Average debt maturity	4.46	4.17
Debt/Debt + equity	30.9%	30.5%
Capital expenditure	(\$m)	(\$m)
Aeronautical	25.5	14.6
Property	49.3	46.2
Retail and car parking	5.2	11.0
Infrastructure and other	3.1	3.0
Total	83.1	74.8

Credit metrics continue to improve and provide a strong platform to invest in Auckland Airport's future.

S&P rating remains at A minus and the short-term rating is 'A2'.

Capital expenditure was within market guidance provided at the 2012 interim results of between \$80 and \$90 million.



Investors' rewards from strong performance are clear

	Share Price Opening (NZ\$)	Share Price Closing (NZ\$)	Dividend (cps)	Total return (cps)	Total share holder return %
1 July 2009 to 30 June 2010	1.61	1.87	8.20	34.20	21.2%
1 July 2010 to 30 June 2011	1.87	2.23	8.70	44.70	23.9%
1 July 2011 to 30 June 2012	2.23	2.44	10.50	31.50	14.1%

Dividends for the year will total 10.50 cents per share, up 1.8 cents per share, or 20.7%, from the 2011 financial year, with the final dividend of 6.10 cps.

After careful consideration of the capital structure of the business, and as a signal of our confidence in our long term prospects, cash generation and ability to fund our growth aspirations, the Board of Auckland Airport is changing the dividend policy from 90% to 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one off items).

The Auckland Airport share price has increased further since the year end to NZ\$2.61 as at 29 August 2012.



Ambition 2020:

- aiming high to continuously lift performance
- take advantage of reshaping travel markets

Flight-path for growth launched in 2009.

Strategy evolved as market conditions developed.

Time is right to move from launching a growth strategy to setting a path for long-term growth momentum.

Ambition 2020 – long horizon targets to grow international visitor volumes and value, and in turn grow our business.

Aiming for more quality, efficiency, and innovation across the business.





Market trends and industry leadership

Current conditions are muted with international passenger volumes down 0.2% from 1 July to 26 August 2012.

China set to become 2nd largest tourism market for New Zealand and volumes up 31.9% in FY12.

Asia, Americas and Australia are our key focus as Europe and UK markets continue to decline.

Need air-services, sales channels and relevant quality product to capture more value.

Further capacity in October 2012 (Emirates A380 to Melbourne, China Airlines to Taipei via Sydney), in March 2013 (Hawaiian to North America) and new and increased services by Air New Zealand to Bali, Perth, Japan, North America and Sunshine Coast will assist with passenger volume growth in FY13.



Ambition 2020: delivering a smart airport future

DTB capacity enhancement project to commence shortly to allow 2 carriers to remain within the facility to mid-decade, then one carrier will move to phase one of a new terminal leaving a single carrier in DTB until late this decade at which time they will move to phase 2 of a new terminal.

Scope comprises works to forecourt, terminal and apron. Delivery programme is currently being worked through with stakeholders.

Minor works will commence this calendar year with bulk of works being undertaken during 2013.

Total capital expenditure on the DTB enhancement project expected to be between \$28 and \$30 million in FY13 and FY14.





Ambition 2020: delivering a smart airport future

Spatial Masterplanning inception process underway led by Arup (global airport masterplanning experience).

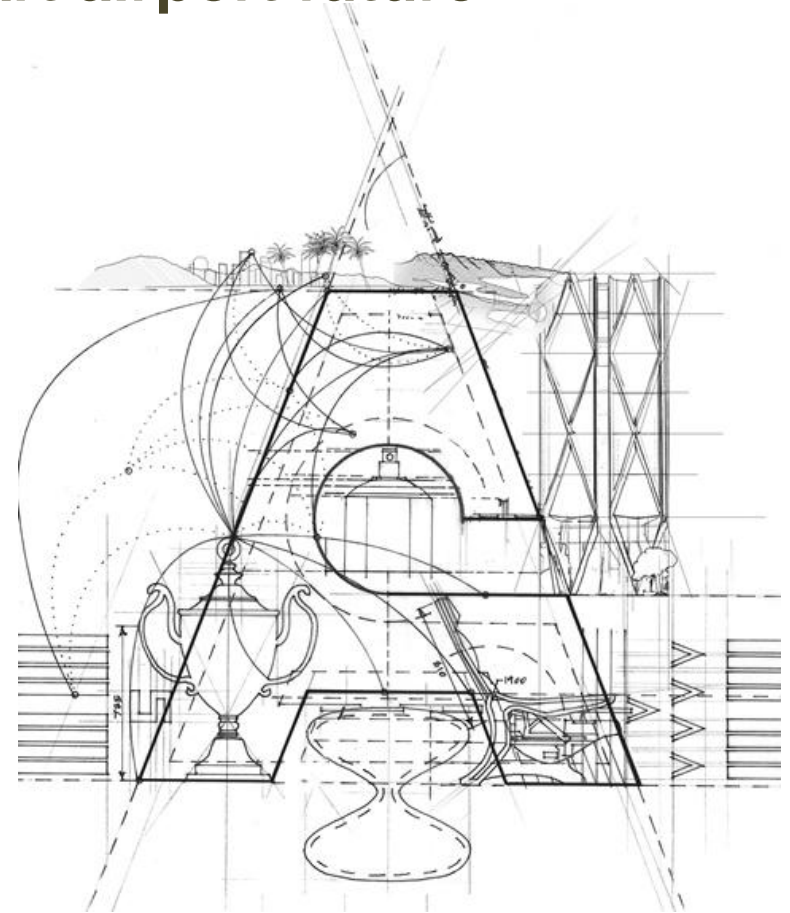
Inception process will take 5 weeks.

Full spatial master-plan process concluded within FY13.

New terminal facility planning process being worked through with key stakeholders.

Process in place for a locational decision in 2013 at which time design will commence.

Auckland Airport remains committed to a future terminal solution that delivers on tomorrow's travel, trade and tourism demands.





Ambition 2020: growing the Auckland Airport Business District

Rental growth strong in FY2012 after development in FY2010 and FY2011 brings in new rental income.

Current market for new property development is relatively weak.

Recent completed developments include Toll, CEVA and the Quad 5 office building.

Continuing to improve precinct appeal through improving amenities to open the potential of the Auckland Airport Business District.



Ambition 2020: building on retail success

International Passenger Spend Rate growth of 5.2% in FY12 compared to FY11, although rate of growth slowing.

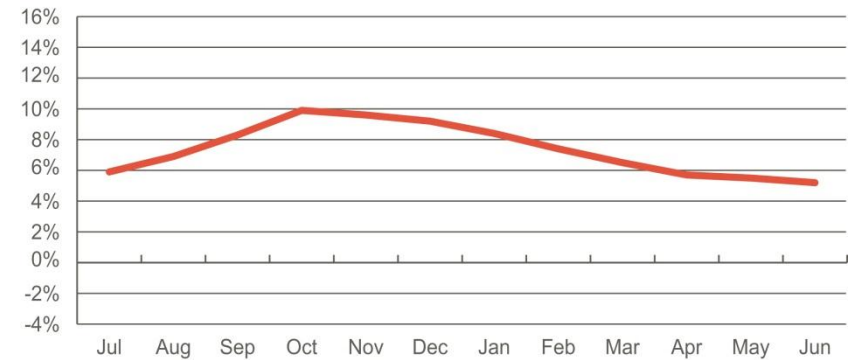
Retail income per international passenger increased from \$15.64 to \$16.15.

Car park revenue from online sales increased to 20% in FY12, and 24% for June 2012, up from 14% in FY11.

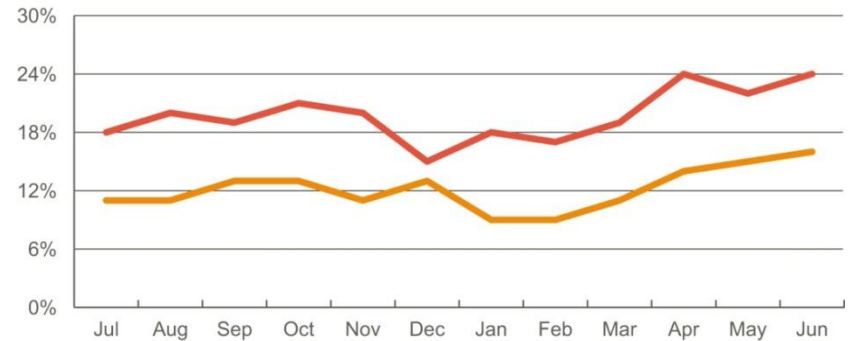
Average revenue per car park space (ARPS) increased 11% in FY12.

We continue to expand our customer segment focus via new extensions to products and promotions and quick trial methodology to test theories to grow yield.

Average YTD growth in International PSR



% Online Revenue FY11 v FY12



● FY11

● FY12



Ambition 2020: accepting a leadership role

The benefits of direct services to fast growing markets are significant.

The industry requires product, channels, promotions and processes to deliver higher value outcomes that maximise the opportunity for New Zealand.

Competition for these high-growth markets requires a New Zealand response that is more attractive than our competitor destinations.

Recent improvements in visa processing (e.g. in China) will be helpful to compete strongly as a destination.

We will play our part in seeking higher value tourism and trade values for New Zealand.



Progress against Big Aspirational Targets

In 2011 we established some big business targets for the future.

The targets were not necessarily solved in the plan but established a “heads up, aim high” attitude in the company.

The big goals show our passion for the possibilities of the business and our dedication to aim high in the outcomes we wish to achieve.



Underlying profit for the year ended 30 June 2012 was \$139.025 million, up 15%. This is outstanding progress in FY12 after significant growth in FY11 (up 15%) and we remain focused on the possibility of achieving this goal in FY13.



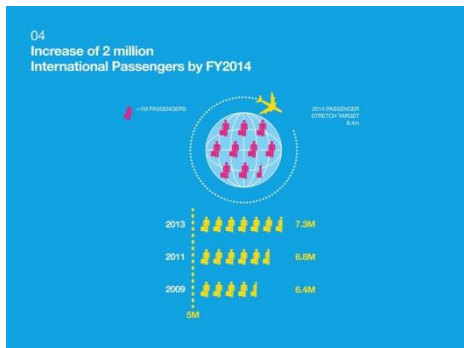
Auckland Airport won the best airport in Australia/Pacific in the FY12 Skytrax Awards for the fourth year in a row. We remain committed to continuously improving the passenger experience.



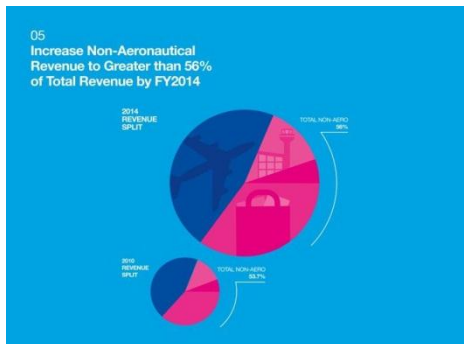
Progress against Big Aspirational Targets



Chinese arrivals grew 31.9% in the financial year to June 2012, and 66.9% from base year of FY10. In June 2012, management launched Ambition 2020 to target Australia, Asia and America as key growth markets.



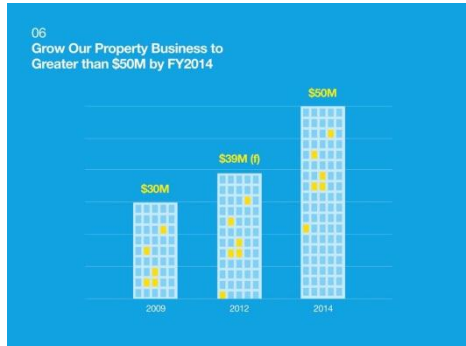
International passenger numbers increased to 7.194 million (excluding transits) in FY12, an 800k (12.5%) increase from FY09. While we remain committed to route development in key markets to drive passenger growth, this goal is now a stretch target and a very ambitious milestone.



Non aeronautical revenue saw a fantastic result in FY12 increasing % of total revenue to 55.7%, from 53.7% in FY10 - nearly reaching this target already.



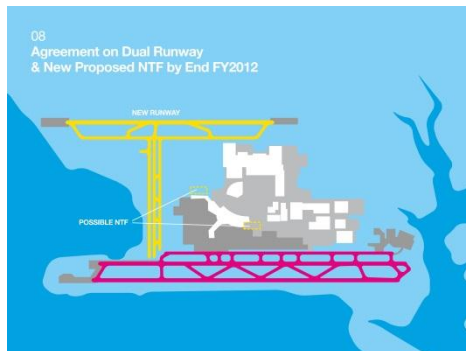
Progress against Big Aspirational Targets



Property rent roll for properties outside the terminal was \$41 million for the year to 30 June 2012, 14.1% increase on prior year. An outstanding result, but will take another two outperforming years in FY13 and FY14 to achieve this goal.



Retail segment revenue grew another 9.1% in 2012 to \$166 million. A stellar growth performance in FY12 has made achieving this goal in FY13 is a strong possibility.



We are in in-depth consultation with our main airline partners for the existing domestic terminal and a New Terminal Facility. New ideas were brought to the table throughout the pricing consultation and we hope to have an agreed plan by the end of calendar year 2013.



Future capital expenditure

Capital expenditure	Forecast FY2013 (\$m)
Aeronautical	66
Property	30
Retail and car parking	5
Infrastructure and other	3
Total	104

Capital expenditure is forecast to be between \$100m and \$110m in FY13, excluding yet to be committed property expenditure and yet to be committed New Terminal Facility expenditure.

Any significant capital expenditure on retail and car parking is also excluded until New Terminal Facility plans and location are finalised.



Opportunities exist for long term growth

Despite the challenge of rapidly changing global markets for travel, trade and tourism, we still see opportunities for long term growth:

- **Designing and developing a Smart Airport future with increased domestic capacity, and improved infrastructure for all stakeholders including airlines and passengers**
- **Maintaining growth momentum through taking a leadership role and focusing on aeronautical development in key growth markets**

Despite the challenges, the business growth momentum is expected to deliver net profit after tax (excluding any fair value changes and other one-off items) of between \$143 million and \$150 million in FY13, subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances.



Auckland International Airport Limited

Income statements

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	GROUP		PARENT	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Income					
Airfield income		77,299	72,529	77,299	72,529
Passenger services charge		83,081	78,760	83,081	78,760
Terminal services charge		28,604	28,342	28,604	28,342
Retail income		120,863	111,150	120,863	111,150
Rental income		54,974	49,927	54,974	49,927
Rates recoveries		4,390	4,313	4,390	4,313
Car park income		36,620	33,437	36,620	33,437
Interest income	5	1,570	1,460	15,846	15,362
Other income		19,412	17,805	19,412	17,805
Total income		426,813	397,723	441,089	411,625
Expenses					
Staff	5	34,326	32,607	34,326	32,607
Asset management, maintenance and airport operations		36,717	32,854	36,717	32,854
Rates and insurance		9,082	7,829	9,082	7,829
Marketing and promotions		12,207	11,751	12,207	11,751
Other	5	15,192	14,453	16,205	14,485
Total expenses		107,524	99,494	108,537	99,526
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)					
		319,289	298,229	332,552	312,099
Share of profit of associates	8	9,240	4,755	-	-
Gain on sale of an associate	8	-	1,240	-	1,240
Derivative fair value (decrease)/increase	5	(2,148)	3,503	(2,148)	3,503
Property, plant and equipment revaluation	11	-	(63,465)	-	(63,465)
Investment property fair value increases	12	1,350	21,640	1,350	21,640
Earnings before interest, taxation and depreciation (EBITDA)		327,731	265,902	331,754	275,017
Depreciation	11	64,483	56,843	64,483	56,843
Earnings before interest and taxation (EBIT)		263,248	209,059	267,271	218,174
Interest expense and other finance costs	5	68,958	70,417	68,958	70,417
Profit before taxation		194,290	138,642	198,313	147,757
Taxation expense	6(a)	52,006	37,881	55,313	42,042
Profit after taxation attributable to owners of the parent		142,284	100,761	143,000	105,715
		Cents	Cents		
Earnings per share:					
Basic and diluted earnings per share	10	10.76	7.65		

The notes and accounting policies on pages 8 to 66 form part of and are to be read in conjunction with these financial statements.

Auckland International Airport Limited

Statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	GROUP		PARENT	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Profit for the year		142,284	100,761	143,000	105,715
Other comprehensive income					
Property, plant and equipment revaluation reserve:					
Net revaluation movements	16(b)(ii)	-	582,698	-	582,698
Tax on the property, plant and equipment revaluation reserve	16(b)(ii)	472	(47,548)	472	(47,548)
Total property, plant and equipment revaluation reserve movement		472	535,150	472	535,150
Movement in foreign currency translation reserve	16(b)(vi)	(1,724)	6,102	-	-
Movement in share based payments	16(b)(iii)	-	7	-	7
Movement in share of reserves of associates	8	(9,668)	(481)	-	-
Cash flow hedges:					
Fair value gains/(losses) recognised in the cash flow hedge reserve	16(b)(iv)	(19,716)	(16,198)	(19,716)	(16,198)
Realised (gains)/losses transferred to the income statement	16(b)(iv)	11,466	13,733	11,466	13,733
Tax effect of movements in the cash flow hedge reserve	16(b)(iv)	2,310	690	2,310	690
Total cash flow hedge movement		(5,940)	(1,775)	(5,940)	(1,775)
Total other comprehensive income		(16,860)	539,003	(5,468)	533,382
Total comprehensive income for the period, net of tax attributable to the owners of the parent		125,424	639,764	137,532	639,097

Auckland International Airport Limited

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2012

GROUP	Notes	Issued and	Cancelled	Property, plant	Share-	Cash flow	Share of	Foreign	Retained	Total
		paid-up	share	and equipment	based	hedge	reserves of	currency	earnings	
		capital	reserve	revaluation	payments	reserve	associates	translation		
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2011		338,386	(161,304)	2,149,731	913	(20,674)	(1,683)	3,755	158,407	2,467,531
Profit for the year		-	-	-	-	-	-	-	142,284	142,284
Other comprehensive income/(loss)		-	-	472	-	(5,940)	(9,668)	(1,724)	-	(16,860)
Total comprehensive income/(loss)		-	-	472	-	(5,940)	(9,668)	(1,724)	142,284	125,424
Reclassification to retained earnings	16	-	-	(1,614)	-	-	-	-	1,614	-
Shares issued	15	11,043	-	-	-	-	-	-	-	11,043
Share buy back	15	(583)	(10,300)	-	-	-	-	-	-	(10,883)
Dividend paid	9	-	-	-	-	-	-	-	(120,348)	(120,348)
At 30 June 2012		348,846	(171,604)	2,148,589	913	(26,614)	(11,351)	2,031	181,957	2,472,767

GROUP	Notes	Issued and	Cancelled	Property, plant	Share-	Cash flow	Share of	Foreign	Retained	Total
		paid-up	share	and equipment	based	hedge	reserves of	currency	earnings	
		capital	reserve	revaluation	payments	reserve	associates	translation		
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2010		313,245	(161,304)	1,632,764	906	(18,899)	(1,202)	(2,347)	150,471	1,913,634
Profit for the year		-	-	-	-	-	-	-	100,761	100,761
Other comprehensive income/(loss)		-	-	535,150	7	(1,775)	(481)	6,102	-	539,003
Total comprehensive income/(loss)		-	-	535,150	7	(1,775)	(481)	6,102	100,761	639,764
Reclassification to retained earnings	16	-	-	(18,183)	-	-	-	-	18,183	-
Shares issued	15	25,141	-	-	-	-	-	-	-	25,141
Dividend paid	9	-	-	-	-	-	-	-	(111,008)	(111,008)
At 30 June 2011		338,386	(161,304)	2,149,731	913	(20,674)	(1,683)	3,755	158,407	2,467,531

The notes and accounting policies on pages 8 to 66 form part of and are to be read in conjunction with these financial statements.

Auckland International Airport Limited

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2012

PARENT	Notes	Issued and	Cancelled	Property, plant	Share-	Cash flow	Retained	Total
		paid-up capital \$000	share reserve \$000	and equipment revaluation reserve \$000	based payments reserve \$000	hedge reserve \$000	earnings \$000	
At 1 July 2011		338,917	(161,304)	2,149,731	913	(20,674)	168,282	2,475,865
Profit for the year		-	-	-	-	-	143,000	143,000
Other comprehensive income/(loss)		-	-	472	-	(5,940)	-	(5,468)
Total comprehensive income/(loss)		-	-	472	-	(5,940)	143,000	137,532
Reclassification to retained earnings	16	-	-	(1,614)	-	-	1,614	-
Shares issued	15	10,721	-	-	-	-	-	10,721
Share buy back	15	(583)	(10,300)	-	-	-	-	(10,883)
Dividend paid	9	-	-	-	-	-	(120,365)	(120,365)
At 30 June 2012		349,055	(171,604)	2,148,589	913	(26,614)	192,531	2,492,870

PARENT	Notes	Issued and	Cancelled	Property, plant	Share-	Cash flow	Retained	Total
		paid-up capital \$000	share reserve \$000	and equipment revaluation reserve \$000	based payments reserve \$000	hedge reserve \$000	earnings \$000	
At 1 July 2010		313,794	(161,304)	1,632,764	906	(18,899)	155,406	1,922,667
Profit for the year		-	-	-	-	-	105,715	105,715
Other comprehensive income/(loss)		-	-	535,150	7	(1,775)	-	533,382
Total comprehensive income/(loss)		-	-	535,150	7	(1,775)	105,715	639,097
Reclassification to retained earnings	16	-	-	(18,183)	-	-	18,183	-
Shares issued	15	25,123	-	-	-	-	-	25,123
Dividend paid	9	-	-	-	-	-	(111,022)	(111,022)
At 30 June 2011		338,917	(161,304)	2,149,731	913	(20,674)	168,282	2,475,865

The notes and accounting policies on pages 8 to 66 form part of and are to be read in conjunction with these financial statements.

Auckland International Airport Limited

Statements of financial position

AS AT 30 JUNE 2012

	Notes	GROUP		PARENT	
		2012	2011	2012	2011
		\$000	\$000	\$000	\$000
Non-current assets					
Property, plant and equipment	11	3,021,865	3,035,420	3,021,865	3,035,420
Investment properties	12	579,783	546,232	579,783	546,232
Investment in associates	8	179,957	197,635	-	-
Investment in subsidiaries	7	-	-	40,000	41,733
Derivative financial instruments	21(c)	24,664	8,687	24,664	8,687
Intercompany loans	7	-	-	166,651	173,837
Other non-current assets		-	775	-	775
		3,806,269	3,788,749	3,832,963	3,806,684
Current assets					
Cash	13	42,842	46,146	42,842	46,146
Inventories		10	67	10	67
Prepayments		5,404	4,941	5,404	4,941
Accounts receivable	14	17,664	20,476	17,664	20,476
Dividend receivable	8	3,290	3,820	-	-
Derivative financial instruments	21(c)	54	2,011	54	2,011
		69,264	77,461	65,974	73,641
Total assets		3,875,533	3,866,210	3,898,937	3,880,325

The notes and accounting policies on pages 8 to 66 form part of and are to be read in conjunction with these financial statements.

Auckland International Airport Limited


Statements of financial position

AS AT 30 JUNE 2012

	Notes	GROUP		PARENT	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Shareholders' equity					
Issued and paid-up capital	15	348,846	338,386	349,055	338,917
Cancelled share reserve	16(b)(i)	(171,604)	(161,304)	(171,604)	(161,304)
Property, plant and equipment revaluation reserve	16(b)(ii)	2,148,589	2,149,731	2,148,589	2,149,731
Share-based payments reserve	16(b)(iii)	913	913	913	913
Cash flow hedge reserve	16(b)(iv)	(26,614)	(20,674)	(26,614)	(20,674)
Share of reserves of associates	16(b)(v)	(11,351)	(1,683)	-	-
Foreign currency translation reserve	16(b)(vi)	2,031	3,755	-	-
Retained earnings	16	181,957	158,407	192,531	168,282
		2,472,767	2,467,531	2,492,870	2,475,865
Non-current liabilities					
Term borrowings	18	926,930	652,640	926,930	652,640
Derivative financial instruments	21(c)	31,627	41,146	31,627	41,146
Deferred tax liability	6	199,246	205,112	198,775	205,117
Other term liabilities		700	707	700	707
		1,158,503	899,605	1,158,032	899,610
Current liabilities					
Accounts payable and accruals	17	54,439	52,775	54,439	52,534
Taxation payable		6,160	10,277	9,932	16,294
Derivative financial instruments	21(c)	1,339	2,784	1,339	2,784
Short-term borrowings	18	181,800	432,006	181,800	432,006
Provisions	24	525	1,232	525	1,232
		244,263	499,074	248,035	504,850
Total equity and liabilities		3,875,533	3,866,210	3,898,937	3,880,325

These financial statements were approved and adopted by the board on 29 August 2012.

Signed on behalf of the board by:



Joan Withers
Director, chair of the board



James Miller
Director, chair of the audit and risk committee

Auckland International Airport Limited

Cash flow statements

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	GROUP		PARENT	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers		428,523	393,563	428,523	393,761
Interest received		1,570	1,460	1,570	1,460
		<u>430,093</u>	<u>395,023</u>	<u>430,093</u>	<u>395,221</u>
Cash was applied to:					
Payments to suppliers and employees		(105,753)	(99,890)	(105,514)	(99,948)
Income tax paid		(59,207)	(50,142)	(59,207)	(50,154)
Other taxes paid		(255)	(289)	(255)	(289)
Interest paid		(68,153)	(69,761)	(68,153)	(69,761)
		<u>(233,368)</u>	<u>(220,082)</u>	<u>(233,129)</u>	<u>(220,152)</u>
Net cash flow from operating activities	19	<u>196,725</u>	<u>174,941</u>	<u>196,964</u>	<u>175,069</u>
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of assets		-	30	-	30
Proceeds from sale of investment in associate	8	-	8,022	-	8,022
Settlement of net investment hedge (payments)/proceeds		(1,027)	902	-	-
Proceeds from settlement of fair value hedge of investment		-	-	-	902
Dividends from associate		15,335	8,656	-	-
		<u>14,308</u>	<u>17,610</u>	<u>-</u>	<u>8,954</u>
Cash was applied to:					
Purchase of property, plant and equipment		(46,485)	(35,595)	(46,485)	(35,595)
Interest paid – capitalised		(1,822)	(1,197)	(1,822)	(1,197)
Expenditure on investment properties		(36,335)	(31,587)	(36,335)	(31,587)
Investment in associates	8	-	(31,511)	-	-
Intercompany loan repayment/(funding)		-	-	15,434	(22,951)
		<u>(84,642)</u>	<u>(99,890)</u>	<u>(69,208)</u>	<u>(91,330)</u>
Net cash flow applied to investing activities		<u>(70,334)</u>	<u>(82,280)</u>	<u>(69,208)</u>	<u>(82,376)</u>
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	15	11,043	25,141	10,721	25,123
Increase in borrowings		1,499,380	2,186,300	1,498,354	2,186,300
		<u>1,510,423</u>	<u>2,211,441</u>	<u>1,509,075</u>	<u>2,211,423</u>
Cash was applied to:					
Share buy-back		(10,883)	-	(10,883)	-
Decrease in borrowings		(1,508,887)	(2,183,000)	(1,508,887)	(2,183,000)
Dividends paid	9	(120,348)	(111,008)	(120,365)	(111,022)
		<u>(1,640,118)</u>	<u>(2,294,008)</u>	<u>(1,640,135)</u>	<u>(2,294,022)</u>
Net cash flow applied to financing activities		<u>(129,695)</u>	<u>(82,567)</u>	<u>(131,060)</u>	<u>(82,599)</u>
Net increase/(decrease) in cash held		(3,304)	10,094	(3,304)	10,094
Opening cash brought forward		46,146	36,052	46,146	36,052
Ending cash carried forward	13	<u>42,842</u>	<u>46,146</u>	<u>42,842</u>	<u>46,146</u>

The notes and accounting policies on pages 8 to 66 form part of and are to be read in conjunction with these financial statements.

Auckland International Airport Limited

Notes and accounting policies

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1. Corporate information

Auckland International Airport Limited (the company or Auckland Airport) is a company established under the Auckland Airport Act 1987 and was incorporated on 20 January 1988 under the Companies Act 1955. The original assets of Auckland 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.

The financial statements presented are for Auckland Airport and its subsidiaries and associates (the group). The subsidiaries consist of Auckland Airport Limited, Auckland International Airport Limited Share Purchase Plan, Auckland Airport Holdings Limited,

and Auckland Airport Holdings (No 2) Limited.

Auckland Airport provides airport facilities and supporting infrastructure in Auckland, New Zealand. The group earns revenue from aeronautical activities, on airport retail concessions and car parking facilities, standalone investment properties and other charges and rents associated with operating an airport. The group also holds investments in three other airports being Cairns Airport and Mackay Airport in Queensland (NQA), Australia as well as Queenstown Airport in New Zealand.

These financial statements were authorised for issue in accordance with a resolution of the directors on 30 August 2012.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis, except for investment properties, land, buildings and services, runway, taxiways and aprons, infrastructural assets and derivative financial instruments, which have been measured at fair value.

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

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

(b) Statement of compliance

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

(c) New accounting standards and interpretations

- *Harmonisation Amendments* are effective for annual reporting periods beginning on or after 1 July 2011 and amend multiple standards to harmonise NZ IFRS with IFRS and Australian Accounting Standards. The *Harmonisation Amendments* should be read in conjunction with *FRS-44 New Zealand Additional Disclosures* ('FRS-44') which sets out the New Zealand specific disclosure requirements that are in addition to IFRS requirements which have been relocated to the separate disclosure standard. The group has applied the amendments and there has been no material impact from the application of these amendments.
- *Improvements to NZ IFRS 2010* is effective for annual reporting periods beginning on or after 1 January 2011 and includes amendments to various standards. Adoption of these improvements has not resulted in any change to the group's reported results or financial position.
- *NZ IAS 24, 'Related party disclosures'* ('NZ IAS 24'), superseded *IAS 24, 'Related party disclosures'*, issued in 2003. NZ IAS 24 (revised) is effective for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party. The group has applied the revised standard and there has been no material impact.

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New or revised standards and interpretations that have been approved but are not yet effective have not been adopted by the group for the annual reporting period ended 30 June 2012. The adoption of these standards and interpretations is not expected to have a material recognition or measurement impact on the group's financial statements. These will be applied when they become mandatory.

The amendment *Deferred tax: Recovery of Underlying Assets (Amendments to NZ IAS 12)* is effective for annual reporting periods beginning on or after 1 January 2012. The revised standard introduces an assumption that an investment property is recovered entirely through sale. The presumption can be rebutted if the investment property is held within a business model whose objective is to realise substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of Auckland Airport do rebutt the presumption of recovery through sale as it is expected that the company will receive the fair value of investment property by holding the investment property over that property's life. The company has not early adopted the amendment, however early application of this standard would have no impact on the financial statements

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Acquisition related costs are recognised in the income statement as incurred except for investments in associates where the acquisition costs are included in the initial cost of the associate.

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

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

Investments in subsidiaries are recorded at cost in the company's financial statements, less any impairment.

(e) Investments in associates

The equity method of accounting is used in the group financial statements for entities in which there is significant influence, but not controlling interests.

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

The group's share of its associates' post-acquisition profits or losses is recognised in the group income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income and accumulated as a separate component of equity in the share of reserves of associates. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from the associate reduce the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds the carrying amount of an associate, including any unsecured long-term receivables and loans, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The post-acquisition movements are included after adjustments to align the accounting policies with those of the group.

Investments in associates are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, the company is committed to the sale, and

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the sale is expected to be completed within one year of the date of classification.

Investments in associates classified as held for sale are measured at the lower of carrying amount and fair value less selling costs.

Investments in associates are recorded at cost less any impairment in the company's financial statements.

(f) Segment reporting

An operating segment is a component of an entity, in respect of which discrete financial information is available, that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

Operating segments have been identified based on the information provided to the chief executive as the chief operating decision maker.

Information about other business activities that are below the quantitative criteria are combined and disclosed separately.

(g) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of the company is New Zealand dollars (\$).

Transactions and balances

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

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

Translation of foreign operations

The results of foreign operations that have a functional currency different from the presentation currency are translated to New Zealand dollars at the average exchange rate for the period. Assets (including goodwill) and liabilities are translated at exchange rates prevailing at the reporting date.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of foreign currency instruments designated as hedges of the net investment are recognised in other comprehensive income and

accumulated in the foreign currency translation reserve.

(h) 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.

(i) Cash flow statement

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

Operating activities are the principal revenue-producing activities of the group. Also included in this category are other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other non-current 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.

(j) Accounts receivable

Accounts receivable are recognised and carried at the original invoice including Goods and Services Tax (GST) 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 group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past a 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.

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(k) Derivative financial instruments and hedging

The group uses derivative financial instruments such as interest rate swaps, interest forward rate agreements, forward foreign exchange contracts and cross-currency interest rate swaps 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 interest forward rate agreements are determined using valuation techniques based on cash flows discounted to present value using current market interest rates. The fair value of cross-currency interest rate swaps are determined using both forward exchange market rates and 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;
- 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; or
- hedges of a net investment in a foreign operation.

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

have been highly effective throughout the financial reporting periods for which they were designated.

The fair value of hedging derivatives are classified as non-current assets or liabilities when the remaining life of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

Cash flow hedges

Cash flow hedges are currently applied to future interest cash flows on variable rate loans. 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.

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Hedges of a net investment

For hedges of a net investment in a foreign operation, gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income and accumulated as a separate component of equity in the foreign currency translation reserve. Any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of such gains or losses recognised in other comprehensive income is reclassified to the income statement.

(l) Investments and other financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

(m) 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.

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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, are included in the income statement in the year the asset is derecognised.

(n) Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent valuers.

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

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

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

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

If the fair value of investment property under construction cannot be reliably determined but it is expected the fair value of the property can be reliably determined when construction is complete, then investment property under construction will be measured at cost until either its fair value can be reliably determined or construction is complete.

(o) Leases

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

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

(p) Impairment of non-financial assets

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

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when events or changes in circumstances indicate that the impairment may have reversed.

(q) Accounts payable and accruals

Accounts payable and accruals are not interest bearing and are initially stated at their fair value and subsequently carried at amortised cost. 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.

(r) Loans and borrowings

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

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

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

(s) 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. Other borrowing costs are expensed as incurred.

(t) Provisions

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

Provision for noise mitigation

Approval for a second runway, granted under the Manukau District Plan in 2001, included a number of obligations on the group to mitigate the impact of aircraft noise on the local community. The group is required to offer acoustic treatment to certain houses and schools when predicted noise levels in the next twelve months are at defined levels. The group has an obligation to fund the acoustic treatment of homes and schools when the offer of acoustic treatment is accepted. On acceptance of offers the group records a provision for the estimated cost of fulfilling the obligation. The amount of the provision will change depending on the number of offers accepted, a revision in the estimate of the cost of offers, and when the obligation is funded. As directly attributable costs of the second runway, the costs

are capitalised to the extent that they are not recoverable from other parties.

(u) Employee benefits

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

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

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

(v) Share based payments

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

Equity-settled transactions

The cost of these equity-settled transactions with employees 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.

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(w) Revenue recognition

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

Rendering of services

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

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

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

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

Interest income

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

Dividend income

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

(x) Income tax and other taxes

Income tax

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that

at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised only if it is probable that the group will be able to utilise the tax benefit.

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.

(y) Contributed equity

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

When the group reacquires its own shares, those treasury shares are deducted from equity and no gain or loss is recognised in 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.

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(z) Earnings per share

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

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

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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) Fair value of investment property

The group remeasures the value of investment properties to fair value each year. The fair value of investment property is estimated by a panel of independent valuers, considered to be a best practice approach, which reflects market conditions at the balance sheet date. Changes to market conditions or to assumptions made in the estimation of fair value will result in changes to the fair value of investment property. The carrying value of investment property and the valuation methodology is disclosed in note 12.

(b) Carrying value of property, plant and equipment

The group records land, buildings and services, runway, taxiways and aprons and infrastructural assets at fair value. Land, buildings and services, runway, taxiways and aprons and infrastructural assets acquired or constructed after the date of the last revaluation are carried at cost, which approximates fair value. Revaluations are carried out, by independent valuers, with sufficient regularity to ensure that the carrying amount does not differ from the fair value at balance date. Judgement is required to determine whether the fair value of land, buildings and services, 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 a 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 and assumptions used to record the

fair value of property, plant and equipment at 30 June 2011, are disclosed in note 11. The carrying amounts as at 30 June 2012 do not materially differ from fair value.

(c) Movements in the carrying value of property, plant and equipment

As stated in 3(b) above the group records land, buildings and services, runway, taxiways and aprons and infrastructural assets at fair value.

The accounting policy of the group is that increases in assets from revaluations are recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve unless the revaluation increase reverses a previous revaluation decrease for an asset which was previously recognised in the income statement. In this case, the increase is recognised in the income statement. Also, decreases in assets from revaluations are recognised in the income statement unless the revaluation decrease reverses a previous valuation increase for an asset which was previously recognised in other comprehensive income and accumulated in the property, plant and equipment revaluation reserve. In this case, the decrease is also recognised in other comprehensive income and the property, plant and equipment revaluation reserve.

Due to the adoption of NZ IFRS in 2008, this accounting policy is different to the accounting policy at the last valuation in 2006 when valuation changes would only go to the income statement when the entire asset class decreased in value. The current accounting policy puts a significant focus on the revaluation impact on an individual asset as changes in asset value can give rise to different accounting treatments.

When revaluations are carried out by independent valuers, the valuer determines a value for individual assets. This may involve allocations to individual assets from projects and allocations to individual assets within a class of assets. The allocations to individual assets may be different to the allocations performed at the time a project was completed or different to the allocations to the individual asset made at the previous asset revaluation. These differences at an asset level may be material and can impact the income statement.

Auckland International Airport Limited

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FOR THE YEAR ENDED 30 JUNE 2012

4. Segment information

(a) Identification of reportable segments

The group has identified its operating segments based on the internal reports reviewed and used by the chief executive in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of services provided. Discrete financial information about each of these operating segments is reported to the chief executive at least monthly. The chief executive assesses performance of the operating segments based on EBITDA. Interest income and expenditure, taxation, and depreciation are not allocated to operating segments as the company manages the cash position and assets at a group level.

(b) Types of services provided

Aeronautical

The aeronautical business provides services that facilitate the movement of aircraft, passengers and cargo, and provides utility services that support the airport. The aeronautical business also earns rental revenue from space leased in facilities such as terminals.

Retail

The retail business provides services to the retailers within the terminals and provides car parking facilities for airport staff and passengers.

Property

The property business earns rental revenue from space leased on airport land outside the terminals including cargo buildings, hangars and stand-alone investment properties.

(c) Major Customers

The group has a number of customers to which it provides services. The most significant customer in the 2012 financial year accounted for 23.1 percent of external revenue. In the 2011 financial year the most significant customer accounted for 24.1 percent of external revenue. The revenue from this customer is included in all three operating segments.

(d) Geographical areas

Revenue from the reportable segments are derived in New Zealand being the location where the sale occurred. Property, plant and equipment and investment property of the reportable segments are located in New Zealand. The investment in the stapled securities of North Queensland Airports and the investment in Queenstown Airport are not part of the reportable segments of the group.

Auckland International Airport Limited

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FOR THE YEAR ENDED 30 JUNE 2012

GROUP	Aeronautical \$000	Retail \$000	Property \$000	Total \$000
Year ended 30 June 2012				
External income				
Airfield income	77,299	-	-	77,299
Passenger service charge	83,081	-	-	83,081
Terminal services charge	28,604	-	-	28,604
Retail income	-	120,863	-	120,863
Rental income	18,215	217	36,542	54,974
Rates recoveries	517	1,059	2,814	4,390
Car park income	-	36,620	-	36,620
Other income	6,855	7,286	1,720	15,861
Total segment income	214,571	166,045	41,076	421,692
Expenses				
Staff	19,832	2,715	2,250	24,797
Asset management, maintenance and airport operations	27,808	5,243	2,168	35,219
Rates and insurance	2,809	1,259	4,276	8,344
Marketing and promotions	9,054	2,506	325	11,885
Other	5,859	1,017	1,426	8,302
Total segment expenses	65,362	12,740	10,445	88,547
Segment earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (Segment EBITDAFI)	149,209	153,305	30,631	333,145
Investment property fair value increases	-	-	1,350	1,350
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	149,209	153,305	31,981	334,495

Income reported above represents income generated from external customers. There was no inter-segment income in the year (2011: \$nil).

Auckland International Airport Limited

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GROUP	Aeronautical \$000	Retail \$000	Property \$000	Total \$000
Year ended 30 June 2011				
External income				
Airfield income	72,529	-	-	72,529
Passenger service charge	78,760	-	-	78,760
Terminal services charge	28,342	-	-	28,342
Retail income	-	111,150	-	111,150
Rental income	17,671	48	32,208	49,927
Rates recoveries	507	1,270	2,535	4,312
Car park income	-	33,435	-	33,435
Other income	6,374	6,259	1,265	13,898
Total segment income	204,183	152,162	36,008	392,353
Expenses				
Staff	18,979	2,303	1,295	22,577
Asset management, maintenance and airport operations	25,519	4,604	1,542	31,665
Rates and insurance	2,521	1,120	3,461	7,102
Marketing and promotions	8,895	2,043	201	11,139
Other	4,878	1,065	915	6,858
Total segment expenses	60,792	11,135	7,414	79,341
Segment earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (Segment EBITDAFI)	143,391	141,027	28,594	313,012
Gain on sale of associate	-	1,240	-	1,240
Investment property fair value increases	-	-	21,640	21,640
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	143,391	142,267	50,234	335,892

(e) Segment reconciliation of segment income to income statement:

	GROUP	
	2012 \$000	2011 \$000
Segment income	421,692	392,353
Interest income	1,570	1,460
Other revenue	3,551	3,910
Total income	426,813	397,723

Auckland International Airport Limited

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(f) Segment reconciliation of segment EBITDA to income statement:

	GROUP	
	2012	2011
	\$000	\$000
Segment EBITDA	334,495	335,892
Unallocated external operating income from continuing operations	5,121	5,368
Unallocated external operating expenses from continuing operations	(18,977)	(20,151)
Share of profit/(loss) of an associate	9,240	4,755
Depreciation	(64,483)	(56,843)
Derivative fair value changes	(2,148)	3,503
Property, plant and equipment fair value movements	-	(63,465)
Interest expense and other finance costs	(68,958)	(70,417)
Profit before taxation	194,290	138,642

The income included in unallocated external operating income from continuing operations consists mainly of interest from third party financial institutions and income from telecommunication services.

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5. Profit for the year

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Staff expenses comprise:				
Salaries and wages	27,277	25,926	27,277	25,926
Employee benefits	2,422	3,004	2,422	3,004
Share-based payment (refer note 26)	690	753	690	753
Defined contribution superannuation	802	697	802	697
Other staff costs	3,135	2,227	3,135	2,227
	34,326	32,607	34,326	32,607
Other expenses include:				
Audit fees for statutory audit and half year review	206	210	206	210
Auditor's regulatory audit and AGM fees	80	49	80	49
Auditor's tax compliance fees	-	45	-	45
Directors' fees	998	987	998	987
Bad and doubtful debts written off	2	22	2	22
Doubtful debts - change in provision	(265)	60	(265)	60
(Gains)/loss on disposal of property, plant and equipment	(79)	114	(79)	114
Interest expense and other finance costs comprise:				
Interest on bonds and related hedging instruments	37,767	36,853	37,767	36,853
Interest on bank facilities and related hedging instruments	18,714	27,213	18,714	27,213
Interest on USPP notes and related hedging instruments	9,276	2,400	9,276	2,400
Interest on commercial paper and related hedging instruments	5,023	5,148	5,023	5,148
	70,780	71,614	70,780	71,614
Less capitalised borrowing costs (refer note 11)	(1,822)	(1,197)	(1,822)	(1,197)
	68,958	70,417	68,958	70,417
Interest rate for capitalised borrowing costs	6.61%	6.58%	6.61%	6.58%

Interest on financial liabilities that are not fair value through profit or loss was \$62.282 million for the year ended 30 June 2012 (2011: \$62.316 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

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	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Interest income includes:				
External interest income	1,570	1,460	1,570	1,460
Intercompany interest	-	-	14,276	13,902
	1,570	1,460	15,846	15,362
Derivative fair value (decrease)/increase includes:				
Interest basis swaps transacted as hedges but not qualifying for hedge accounting	(2,148)	3,503	(2,148)	3,503

6. Taxation

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
(a) Income tax expense				
The major components of income tax expense are:				
<i>Current income tax</i>				
Current income tax charge	55,792	51,792	59,575	55,953
Income tax over provided in prior year	(702)	(87)	(702)	(87)
<i>Deferred income tax</i>				
Movement in deferred tax	(3,084)	(13,824)	(3,560)	(13,824)
Total taxation expense	52,006	37,881	55,313	42,042

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
(b) Deferred taxation taken directly to other comprehensive income				
Tax on the property, plant and equipment revaluation reserve	472	(47,548)	472	(47,548)
Tax effect of movements in the cash flow hedge reserve	2,310	690	2,310	690
Deferred tax credit reported in equity	2,782	(46,858)	2,782	(46,858)

Auckland International Airport Limited

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FOR THE YEAR ENDED 30 JUNE 2012

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
(c) Reconciliation between prima facie taxation and tax expense				
Profit before taxation	194,290	138,642	198,313	147,757
Prima facie taxation at 28% (2011: 30%)	54,401	41,593	55,528	44,327
Adjustments:				
Share of associate's tax paid earnings	(2,003)	(1,427)	-	-
Revaluation with no tax impact	(386)	(3,036)	(386)	(3,036)
Income tax over provided in prior year	(702)	(87)	(702)	(87)
Other	696	838	873	838
Total taxation expense	52,006	37,881	55,313	42,042

	Balance 1 July 2011 \$000	Movement in income \$000	Movement in other comprehensive income \$000	Balance
				30 June 2012 \$000
(d) Deferred tax assets and liabilities				
GROUP				
<i>Deferred tax liabilities</i>				
Property, plant and equipment	182,566	(4,931)	(472)	177,163
Investment properties	32,746	1,618	-	34,364
Other	127	442	-	569
Deferred tax liabilities	215,439	(2,871)	(472)	212,096
<i>Deferred tax assets</i>				
Cash flow hedge	8,039	-	2,310	10,349
Provisions and accruals	2,288	213	-	2,501
Deferred tax assets	10,327	213	2,310	12,850
Net deferred tax liability	205,112	(3,084)	(2,782)	199,246

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	Balance 1 July 2010 \$000	Movement in income \$000	Movement in other comprehensive income \$000	Balance 30 June 2011 \$000
GROUP				
<i>Deferred tax liabilities</i>				
Property, plant and equipment	152,047	(17,029)	47,548	182,566
Investment properties	29,555	3,191	-	32,746
Other	186	(59)	-	127
Deferred tax liabilities	181,788	(13,897)	47,548	215,439
<i>Deferred tax assets</i>				
Cash flow hedge	7,349	-	690	8,039
Provisions and accruals	2,356	(68)	-	2,288
Deferred tax assets	9,705	(68)	690	10,327
Net deferred tax liability	172,083	(13,829)	46,858	205,112

	Balance 1 July 2011 \$000	Movement in income \$000	Movement in other comprehensive income \$000	Balance 30 June 2012 \$000
PARENT				
<i>Deferred tax liabilities</i>				
Property, plant and equipment	182,566	(4,931)	(472)	177,163
Investment properties	32,746	1,618	-	34,364
Other	127	(28)	-	99
Deferred tax liabilities	215,439	(3,341)	(472)	211,626
<i>Deferred tax assets</i>				
Cash flow hedge	8,039	-	2,310	10,349
Provisions and accruals	2,283	219	-	2,502
Deferred tax assets	10,322	219	2,310	12,851
Net deferred tax liability	205,117	(3,560)	(2,782)	198,775

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	Balance 1 July 2010 \$000	Movement in income \$000	Movement in other comprehensive income \$000	Balance 30 June 2011 \$000
PARENT				
<i>Deferred tax liabilities</i>				
Property, plant and equipment	152,047	(17,029)	47,548	182,566
Investment properties	29,555	3,191	-	32,746
Other	186	(59)	-	127
Deferred tax liabilities	181,788	(13,897)	47,548	215,439
<i>Deferred tax assets</i>				
Cash flow hedge	7,349	-	690	8,039
Provisions and accruals	2,351	(68)	-	2,283
Deferred tax assets	9,700	(68)	690	10,322
Net deferred tax liability	172,088	(13,829)	46,858	205,117

The reduction in the corporate tax rate from 30 percent to 28 percent, 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.

At 30 June 2012, there are no unrecognised temporary differences associated with the group's investments in associates (2011: nil).

(e) Imputation credits

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Imputation credits available for use in subsequent reporting periods as at 30 June	39,025	31,059	38,988	31,029

7. Subsidiary companies

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

	Country of incorporation	% equity interest	
		2012	2011
Auckland Airport Limited	New Zealand	100.00	100.00
Auckland International Airport Limited Share Purchase Plan	New Zealand	-	-
Auckland Airport Holdings Limited	New Zealand	100.00	100.00
Auckland Airport Holdings (No. 2) Limited	New Zealand	100.00	100.00

Auckland Airport Limited

Auckland Airport Limited was established on 23 July 2007 and holds the investment in Auckland Airport Hotel Limited Partnership. At 30 June 2012 a loan

of \$5.669 million (2011: \$6.200 million) was owing from Auckland Airport Limited to Auckland International Airport Limited. Repayment of \$0.531 million (2011: nil) was made during the year by way

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of return of partner equity contribution of \$0.520 million (2011: nil) and tax payable offset by loss utilisation of \$0.011m (2011: nil) from Auckland Airport Hotel Limited Partnership. The loan is interest free and repayable on demand.

Auckland International Airport Limited Share Purchase Plan

Auckland International Airport Limited Share Purchase Plan (purchase plan) was established by the company on 16 November 1999 to assist employees (but not directors) to become equity holders in the company. A Trust Deed dated 19 November 1999 governs the operation of the purchase plan. The purchase plan is consolidated as part of the group because the company has the power to govern the purchase plan due to the trustees of the purchase plan being employees of the company. At 30 June 2012 a loan of \$0.005 million was owing from Auckland International Airport Limited to Auckland International Airport Limited Share Purchase Plan. At 30 June 2011 a loan of \$0.095 million was owing from Auckland International Airport Limited Share Purchase Plan to Auckland International Airport Limited. The loan is interest free and repayable on demand.

Auckland Airport Holdings Limited

Auckland Airport Holdings Limited was established on 22 December 2009 and holds the investment in North Queensland Airports. Auckland International Airport Limited holds \$40.000 million (2011: \$40.000 million) of share capital in Auckland Airport Holdings Limited. At 30 June 2012 a loan of \$133.980 million (2011: \$139.464 million) was owing from Auckland Airport Holdings Limited to Auckland International Airport Limited. Repayment of \$19.760 million (2011: \$8.756 million) was made during the year using dividends received from North Queensland Airports of \$13.743 million (2011: \$8.756 million) and tax payable offset by loss utilisation of \$6.017m (2011: nil). The loan is repayable on demand. Interest charged was \$14.276 million (2011: \$13.902 million) at a rate of 10.5 percent (2011: 10.5 percent).

Auckland Airport Holdings (No.2) Limited

Auckland Airport Holdings (No. 2) Limited was established on 7 July 2010 and holds the investment in Queenstown Airport Corporation Limited. At 30 June 2012 a loan of \$27.007 million (2011: \$28.079 million) was owing from Auckland Airport Holdings (No.2) Limited to Auckland International Airport Limited. Repayment of \$1.072 million (2011: nil) was made during the year by way of dividends from Queenstown Airport Corporation Limited. The loan is interest free and repayable on demand.

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8. Investment in associates

Movement in the group's carrying amount of investments in associates:	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Investment in associates at beginning of the year	197,635	168,649	-	6,782
New investments in associates	-	31,513	-	-
Disposals of investments in associates	-	(6,782)	-	(6,782)
Share of repayment of partner contribution	(520)	-	-	-
Share of profit after tax of associates	9,240	4,755	-	-
Share of reserves of associates	(9,668)	(481)	-	-
Share of dividends received	(14,325)	(8,756)	-	-
Foreign currency translation	(2,405)	8,737	-	-
Investment in associates at end of the year	179,957	197,635	-	-

The carrying value of investments in associates summarised by the underlying investment is outlined below:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Auckland Airport Hotel Limited Partnership	7,789	6,221	-	-
Stapled Securities of North Queensland Airports Limited	143,023	162,316	-	-
Queenstown Airport Corporation Limited	29,145	29,098	-	-
	179,957	197,635	-	-

(a) Investments in associates held for sale - HMSC-AIAL Limited

On 18 August 2010 Auckland Airport sold its 50 percent share of HMSC-AIAL Limited to Host International, Inc. HMSC-AIAL Limited operates food and beverage facilities at the international terminal of Auckland Airport. Host International, Inc was the other 50 percent shareholder in HMSC-AIAL Limited.

The consideration received for the sale was \$8.022 million. The carrying value of the investment in the associate, HMSC-AIAL Limited, was \$6.782 million. HMSC-AIAL Limited was in the retail operating segment.

The carrying value of HMSC-AIAL Limited in the Auckland Airport financial statements is outlined below:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Investment in associate at beginning of the year	-	6,782	-	6,782
Less consideration received for the sale	-	(8,022)	-	(8,022)
Plus gain on sale	-	1,240	-	1,240
Net (deduction)/addition to carrying value	-	(6,782)	-	(6,782)
Investment in associate at end of the year	-	-	-	-

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(b) Investment in Associates - Auckland Airport Hotel Limited Partnership

The limited partnership formed by AAPC Properties Pty Limited (Accor Hospitality), Tainui Group Holdings Limited and Auckland Airport developed and now operates a 4-star plus, 263 room Novotel hotel adjacent to the international terminal at Auckland Airport. The hotel was opened on 27 May 2011. The Novotel hotel is 20 percent owned by Auckland Airport. The remaining 80 percent is owned in aggregate by Accor Hospitality and Tainui Group Holdings Limited.

Auckland Airport Hotel Limited Partnership has a balance date of 31 March 2012. Financial information for Auckland Airport Hotel Limited Partnership has been extracted from audited accounts for the period to 31 March 2012 and management accounts for the balance of the year to 30 June 2012.

The carrying value of Auckland Airport Hotel Limited Partnership in the Auckland Airport financial statements is outlined below:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Investment in associate at beginning of the year	6,221	2,776	-	-
Cost of investment in associate	-	3,424	-	-
Share of repayment of partner contribution	(520)	-	-	-
Share of surplus after tax of associate	2,088	21	-	-
Investment in associate at end of the year	7,789	6,221	-	-

The following tables illustrate the financial information of the Auckland Airport Hotel Limited partnership for the 2012 and 2011 financial years, this is before adjustments for depreciation expense and investment property revaluation gains to align the accounting policies to the accounting policies of the group.

Extract from Auckland Airport Hotel Limited Partnership's statement of comprehensive income:

	2012 \$000	2011 \$000
Revenue	17,888	979
Expenses	11,711	923
Earnings before interest, taxation, depreciation and amortisation (EBITDAF)	6,177	56
Derivative fair value (decrease)/increase	(1,591)	-
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	4,586	56
Depreciation and amortisation expense	2,455	439
Earnings before interest and taxation (EBIT)	2,131	(383)
Interest expense	1,771	159
Profit/(loss) before tax	360	(542)
Income tax (benefit)/expense	-	-
Profit/(loss) after taxation	360	(542)
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the period	360	(542)

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Extract from Auckland Airport Hotel Limited Partnership's statement of financial position:

	2012	2011
	\$000	\$000
Current assets	3,794	1,247
Non-current assets	57,013	58,119
Total assets	60,807	59,366
Current liabilities	4,404	1,875
Non-current liabilities	28,185	27,034
Shareholders' equity	28,218	30,457
Total equity and liabilities	60,807	59,366

The directors of Auckland Airport Hotel Limited partnership declared a repayment of partner contribution of \$2.600 million in the year ended 30 June 2012 (year ended 30 June 2011: nil). The group's share of the partner contribution is \$0.520 million (2011: nil) and the amount receivable at year end was nil (2011: nil).

(c) Investment in Associates - Stapled Securities of North Queensland Airports

Auckland Airport group owns a 24.55 percent stake in North Queensland Airports, the operator of Cairns and Mackay airports in Queensland. The company purchased the stake in North Queensland Airports on 13 January 2010 for AU\$132.8 million (\$NZ166.7 million).

The carrying value of North Queensland Airports in the Auckland Airport financial statements is outlined below:

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Investment in associate at beginning of the year	162,316	159,091	-	-
Cost of investment in associate, including transaction costs	-	10	-	-
Share of profit/(loss) after tax of associate	5,824	3,624	-	-
Share of reserves of associate	(9,459)	(390)	-	-
Dividends received or receivable	(13,253)	(8,756)	-	-
Foreign currency translation	(2,405)	8,737	-	-
Investment in associate at end of the year	143,023	162,316	-	-

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The following tables illustrate the unaudited financial information of North Queensland Airports Limited for the 2012 and 2011 financial years:

Extract from North Queensland Airports' statement of comprehensive income:

	2012 AU\$000	2011 AU\$000
Revenue	111,700	102,698
Expenses	41,613	43,213
Earnings before interest, taxation, depreciation and fair value adjustments (EBITDAF)	70,087	59,485
Investment property fair value increase	5,807	13,687
Earnings before interest, taxation and depreciation (EBITDA)	75,894	73,172
Depreciation and amortisation expense	23,222	21,868
Earnings before interest and taxation (EBIT)	52,672	51,304
Interest expense	34,085	37,532
Profit/(loss) before taxation	18,587	13,772
Income tax expense/(benefit)	(149)	2,445
Profit/(loss) after taxation	18,438	11,327
Other comprehensive loss	(30,026)	(1,101)
Total comprehensive profit/(loss) for the period	(11,588)	10,226

Extract from North Queensland Airports' statement of financial position:

	2012 AU\$000	2011 AU\$000
Current assets	35,006	41,736
Non-current assets	659,771	641,038
Goodwill	231,066	231,066
Total assets	925,843	913,840
Current liabilities	72,867	480,461
Non-current liabilities	473,526	422
Shareholders' equity	379,450	432,957
Total equity and liabilities	925,843	913,840

The bank financiers of North Queensland Airports have a security interest in the stapled securities held by Auckland Airport Holdings Limited in North Queensland Airports. There is no recourse to any other assets held by the group.

The directors of North Queensland Airports declared dividends of AU\$42.000 million in the year ended 30

June 2012 (year ended 30 June 2011: AU\$27.498 million). The group's share of the dividend is AU\$10.311 million (NZ\$13.253 million) (2011: AU\$6.751 million, NZ\$8.756 million) and the amount receivable at year end was AU\$2.577 million (NZ\$3.290 million), (2011 AU\$2.946 million, NZ\$3.820 million).

(d) Investment in Associates – Queenstown Airport Corporation Limited

On 8 July 2010 Auckland Airport invested \$27.7 million in 4.0 million new shares (24.99 percent of the increased shares on issue) in Queenstown Airport Corporation Limited ("Queenstown Airport") and formed a strategic alliance. The strategic alliance commits both airports to

work together to drive more tourist traffic into New Zealand and through the two airports. The airport companies will also pursue operational synergies and benefits in other areas such as aeronautical operations, retailing activities and property development.

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The carrying value of Queenstown Airport in the Auckland Airport financial statements is outlined below:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Investment in associate at beginning of the year	29,098	-	-	-
Cost of investment in associate, including transaction costs	-	28,079	-	-
Share of profit after tax of associate	1,328	1,108	-	-
Dividends received from associate	(1,072)	-	-	-
Share of reserves of associate	(209)	(89)	-	-
Investment in associate at end of the year	29,145	29,098	-	-

The following tables illustrate the audited financial information of Queenstown Airport for the 2012 financial year and unaudited financial information for the 2011 financial year:

Extract from Queenstown Airport's statement of comprehensive income:

	2012 \$000	2011 \$000
Revenue	17,457	15,662
Expenses	5,928	5,781
Earnings before interest, taxation and depreciation (EBITDA)	11,529	9,881
Depreciation and amortisation expense	3,260	2,938
Earnings before interest and taxation (EBIT)	8,269	6,943
Interest expense	1,029	768
Profit before tax	7,240	6,175
Income tax expense	2,068	1,738
Profit after taxation	5,172	4,437
Other comprehensive income	(838)	(356)
Total comprehensive income for the period	4,334	4,081

Extract from Queenstown Airport's statement of financial position:

	2012 \$000	2011 \$000
Current assets	1,591	2,357
Non-current assets	150,194	144,829
Total assets	151,785	147,186
Current liabilities	2,895	7,527
Non-current liabilities	28,585	19,401
Shareholders' equity	120,305	120,258
Total equity and liabilities	151,785	147,186

The directors of Queenstown Airport declared dividends of \$4.288 million in the year ended 30 June 2012 (year ended 30 June 2011: nil). The group's share of the dividend is \$1.072 million (2011: nil) and the amount receivable at year end was nil (2011: nil).

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9. Distribution to shareholders

	Dividend payment date	GROUP		PARENT	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
2010 final dividend of 4.45 cps	23 October 2010	-	58,305	-	58,312
2011 interim dividend of 4.00 cps	1 April 2011	-	52,703	-	52,710
2011 final dividend of 4.70 cps	21 October 2011	62,153	-	62,161	-
2012 interim dividend of 4.40 cps	2 April 2012	58,195	-	58,204	-
Total dividends paid		120,348	111,008	120,365	111,022

Supplementary dividends of \$4.229 million (2011: \$3.637 million) are not included in the above dividends as the company receives an equivalent tax credit from the Inland Revenue.

On 29 August 2012, the directors approved the payment of a 2012 fully imputed final dividend of

6.10 cents per share (2011: 4.70 cents per share) to be paid on 19 October 2012.

The interim and final dividends relating to the 2012 financial year total 10.5 cents per share (2011: 8.70 cents per share).

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is \$142.284 million (2011: \$100.761 million).

Earnings per share includes the income statement impact of changes to the fair value of investment

property, changes to the fair value of property, plant and equipment, changes to the fair value of derivatives, and the gain on the sale of associates.

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

	GROUP	
	2012 Shares	2011 Shares
For basic earnings per share	1,322,616,711	1,316,374,181
Effect of dilution of share options	-	-
For dilutive earnings per share	1,322,616,711	1,316,374,181

The 2012 reported basic and diluted earnings per share is 10.76 cents (2011: 7.65 cents).

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11. Property, plant and equipment

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

	GROUP AND PARENT					Total \$000
	Land \$000	Buildings and services \$000	Infra- structure \$000	Runway, taxiways and aprons \$000	Vehicles, plant and equipment \$000	
Year end 30 June 2012						
Balances as at 30 June 2011						
At fair value	1,909,347	510,834	278,596	276,928	-	2,975,705
At cost	-	-	-	-	62,083	62,083
Work in progress at cost	-	7,491	1,430	30,213	1,151	40,285
Accumulated depreciation	-	-	-	-	(42,653)	(42,653)
Balances as at 30 June 2011	1,909,347	518,325	280,026	307,141	20,581	3,035,420
Additions	-	29,954	10,452	6,029	5,044	51,479
Transfers from/(to) investment property	(539)	-	-	-	-	(539)
Disposals	-	-	(6)	-	(7)	(13)
Depreciation	-	(33,706)	(10,778)	(12,899)	(7,100)	(64,483)
Movement to 30 June 2012	(539)	(3,752)	(332)	(6,870)	(2,063)	(13,556)
Balances as at 30 June 2012						
At fair value	1,908,808	520,859	285,045	280,012	-	2,994,724
At cost	-	-	-	-	65,710	65,710
Work in progress at cost	-	27,220	5,627	33,158	1,893	67,898
Accumulated depreciation	-	(33,706)	(10,778)	(12,899)	(49,084)	(106,467)
Balances as at 30 June 2012	1,908,808	514,373	279,894	300,271	18,519	3,021,865

Additions for the year ended 30 June 2012 include capitalised interest of \$1.822 million (2011: \$1.197 million).

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Year end 30 June 2011	GROUP AND PARENT					Total \$000
	Land \$000	Buildings and services \$000	Infra- structure \$000	Runway, taxiways and aprons \$000	Vehicles, plant and equipment \$000	
Balances as at 1 July 2010						
At fair value	1,498,579	624,251	257,529	266,010	-	2,646,369
At cost	-	-	-	-	68,085	68,085
Work in progress at cost	-	12,989	2,131	27,161	1,421	43,702
Accumulated depreciation	-	(101,623)	(33,132)	(42,144)	(48,393)	(225,292)
Balances as at 1 July 2010	1,498,579	535,617	226,528	251,027	21,113	2,532,864
Additions	-	12,960	6,206	6,884	8,680	34,730
Transfers from/(to) investment property	7,444	(1,748)	(115)	-	-	5,581
Transfers within property plant and equipment	-	-	1,643	-	(1,643)	-
Disposals	-	-	(22)	(106)	(17)	(145)
Revaluation movements	403,323	149	55,630	60,131	-	519,233
Depreciation	-	(28,653)	(9,844)	(10,795)	(7,551)	(56,843)
Movement to 30 June 2011	410,767	(17,292)	53,498	56,114	(531)	502,556
Balances as at 30 June 2011						
At fair value	1,909,347	510,834	278,596	276,928	-	2,975,705
At cost	-	-	-	-	62,083	62,083
Work in progress at cost	-	7,491	1,430	30,213	1,151	40,285
Accumulated depreciation	-	-	-	-	(42,653)	(42,653)
Balances as at 30 June 2011	1,909,347	518,325	280,026	307,141	20,581	3,035,420

The net revaluation movement in property, plant and equipment as at 30 June 2011 was an increase in asset values of \$519.233 million. This increase in asset values is represented by:

	2011 \$000
Net revaluation movement in property, plant and equipment revaluation reserve	582,698
Net revaluation movement in income statement	(63,465)
Total net revaluation movement	519,233

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

Land and commercial properties were independently valued by Colliers International Limited and Seagar & Partners, registered valuers, as at 30 June 2011 to fair value. Reclaimed land, seawalls, specialised buildings, infrastructure, runways, taxiways and aprons site improvements on commercial properties and car park facilities were independently valued by Opus International Consultants Limited, a multi-disciplinary engineering consultancy company, as at 30 June 2011 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. The valuation methodologies used in the revaluation as at 30 June 2011 were consistent with the valuation methodologies used in the last valuation as at June

2006. At 30 June 2012 there was no significant change in fair value.

The key causes of the 2011 valuation changes, from the last valuation undertaken as at 30 June 2006, are the increased revenue in retail and car parking, increasing the discounted cash flow valuation of these assets. Also, a higher market value alternative use valuation of runway land increasing the market value existing use valuation when holding costs are added. The previous valuation approach used a direct market comparison of similar land sizes to determine an alternative use valuation for runway land. The approach in 2011 used site specific alternative use values to determine the alternative use valuation. There were also some changes to asset lives reflecting the independent valuers' assessment of the remaining life of individual assets as well as an increase in industry specific inflation for some asset groups reflecting recent demand pressure on infrastructure development.

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To arrive at fair value for property, plant and equipment as at 30 June 2011 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	Market value alternative use valuation plus development and holding costs to achieve land suitable for airport use	Colliers International 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	Colliers International Limited and Seagar & Partners (Auckland) Limited
Land associated with car park facilities	Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Colliers International Limited
Land associated with retail facilities within terminal buildings	Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Colliers International Limited
Lessor's interest in land	Discounted cash flow	Colliers International
Land associated with commercial property	Direct capitalisation of rental income and discounted cash flow	Colliers International Limited
Other land	Direct sales comparison	Colliers International
Buildings and services		
Specialised buildings and services including terminals	Optimised depreciated replacement cost	Opus International Consultants Limited
Car park buildings and other improvements	Optimised depreciated replacement cost	Opus International Consultants Limited
Infrastructure		
Infrastructure assets associated with car park buildings and other improvements	Optimised depreciated replacement cost	Opus International Consultants Limited
Other infrastructure assets	Optimised depreciated replacement cost	Opus International Consultants Limited
Runway, taxiways and aprons		
Runway, taxiways and aprons	Optimised depreciated replacement cost	Opus International Consultants Limited

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The principal assumptions used in establishing the valuations as at 30 June 2011 were as follows:

Airfield land including land for runway, taxiways and aprons

Adopted rate per hectare prior to holding costs	\$1,020,000 per hectare
Holding costs	8.60%
Holding period	5 years
Direct costs	\$4,500,000
Site levelling costs	\$35,000 per hectare
Discount	10.00%

	International terminal car parks	Domestic terminal car parks	Park and ride car parks	Staff car parks
Land associated with car park facilities				
Discount rate	12.50%	13.50%	10.50%	9.50%
Terminal yield	10.00%	12.50%	9.50%	8.50%
Growth (compound average)	3.00%	3.34%	3.22%	1.71%
Initial capitalisation rate	9.50%	10.50%	8.75%	8.50%

	International terminal retail	Domestic terminal retail
Land associated with retail facilities within terminal buildings		
Discount rate	15.00%	12.50%
Terminal yield	10.25%	10.00%
Growth (compound average):		
- Retail	3.70%	2.68%
- Duty free	2.88%	-
- Foreign exchange	2.57%	2.57%
Initial capitalisation rate	10.25%	10.00%

Lessor's interest in land and land associated with commercial property

Contract capitalisation rate - average	7.72%
Market capitalisation rate - average	8.06%
Occupancy	96.31%
Weighted average lease term (years)	6.47
Number of buildings and land parcels	24

Buildings and services

All specialised building assets are valued based on information developed from direct survey and condition assessment of each building. Unit costs have been derived from Opus International Consultants Limited cost library and actual recent construction cost information. Unit costs are based on the most recent information provided either by similar projects or available in the industry.

Reclaimed land, seawalls, infrastructure assets and runways, taxiways and aprons

Replacement costs are calculated by applying unit cost rates to the identified quantity of assets, with

allowance for other costs such as site establishment, professional fees and financial charges.

The unit costs were derived using construction cost information from a variety of sources. These included the following:

- Recent local competitively tendered construction works.
- Published cost information.
- Cost rates derived from recent reconstruction of runway, taxiway and apron assets.
- Opus' database of costing information and experience of typical industry rates.
- Indexed historical cost information

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The financial charge component of optimised depreciated replacement cost values are represented by the assumed debt servicing cost and has been calculated using the following assumptions:

- Interest rate for debt is 7.00 percent.
- Debt / (Debt plus Equity) of 36.60 percent

The fair value of property, plant and equipment valued by each independent registered valuer is outlined below:

	GROUP AND PARENT					
	Land	Buildings and services	Infra- structure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Colliers International Limited	1,675,013	-	-	-	-	1,675,013
Seagar and Partners Limited	80,531	-	-	-	-	80,531
Opus International Consultants Limited	153,803	508,816	273,466	275,529	-	1,211,614
Property, plant and equipment carried at cost	-	9,509	6,560	31,612	20,581	68,262
Balances as at 1 July 2011	1,909,347	518,325	280,026	307,141	20,581	3,035,420

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

	GROUP AND PARENT	
	2012 \$000	2011 \$000
Land		
Cost	132,467	135,231
Accumulated depreciation		-
Net carrying amount	132,467	135,231
Buildings and services		
Cost	751,581	721,820
Accumulated depreciation	(383,544)	(356,682)
Net carrying amount	368,037	365,138
Infrastructure		
Cost	237,227	223,471
Accumulated depreciation	(85,398)	(74,146)
Net carrying amount	151,829	149,325
Runway, taxiways and aprons		
Cost	302,657	297,184
Accumulated depreciation and impairment	(146,141)	(136,013)
Net carrying amount	156,516	161,171

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12. Investment properties

	GROUP AND PARENT	
	2012	2011
	\$000	\$000
Balance at the beginning of the year	546,232	490,131
Additions	31,662	40,042
Transfers from/(to) property, plant and equipment (note 11)	539	(5,581)
Change to net revaluations	1,350	21,640
Balance at end of year	579,783	546,232

Investment property is measured at fair value, which reflects market conditions at the statement of financial position date. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent registered valuers. The valuations as at 30 June 2012 and 30 June 2011 were performed by Seagar & Partners (Auckland) Limited, Colliers International Limited, CB Richard Ellis Limited and Jones Lang Lasalle Limited. All valuers are registered valuers and industry specialists in valuing these types of investment properties.

The impact of the valuation as at 30 June 2012 and 30 June 2011 has been included in the financial

The valuation methodologies are consistent with the prior year. The principal assumptions used in establishing the valuations were as follows:

	GROUP AND PARENT	
	2012	2011
Contract capitalisation rate - average	8.09%	8.16%
Market capitalisation rate - average	8.25%	8.38%
Occupancy	98.00%	99.60%
Weighted average lease term (years)	4.61	4.98
Number of buildings and land parcels	132	123

	GROUP AND PARENT	
	2012	2011
	\$000	\$000
Rental income for investment properties	28,013	24,903
Recoverable cost income	3,489	2,415
Direct operating expenses for investment properties that derived rental income	(5,230)	(4,189)
Direct operating expenses for investment properties that did not derive rental income	(381)	(242)

statements by increasing the carrying value of investment properties in the statement of financial position and recognising a revaluation gain in the income statement.

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

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The fair value of investment properties valued by each independent registered valuer is outlined below:

	GROUP AND PARENT	
	2012	2011
	\$000	\$000
Seagar & Partners (Auckland) Limited	149,666	148,923
Colliers International Limited	162,847	161,358
CB Richard Ellis Limited	242,017	214,961
Jones Lang LaSalle	18,018	18,025
Investment property carried at cost	7,235	2,965
Total fair value of investment properties	579,783	546,232

13. Cash

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Short-term deposits	40,675	46,150	40,675	46,150
Cash and bank balances	2,167	(4)	2,167	(4)
	42,842	46,146	42,842	46,146

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 between 2.50 percent to 3.78 percent (2011: at a rate of 2.50 percent to 4.30 percent).

14. Accounts receivable

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Trade receivables	3,408	6,341	3,408	6,341
Less: Provision for doubtful debts	(370)	(635)	(370)	(635)
Net trade receivables	3,038	5,706	3,038	5,706
Revenue accruals and other receivables	14,626	14,770	14,626	14,770
	17,664	20,476	17,664	20,476

(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 \$0.370 million (2011:

\$0.635 million) have been recognised by the group at year end. These amounts have been included in other expense in the income statement. No individual amount within the provision for doubtful debts is material.

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Movements in the provision for impairment loss were as follows:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
At 1 July	635	575	635	575
Change in provision for the year	(263)	82	(263)	82
Amounts written off	(2)	(22)	(2)	(22)
At 30 June	370	635	370	635

(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 group considers that there has been no significant deterioration in the credit quality of receivables which are neither past due nor impaired.

15. Issued and paid-up capital

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening issued and paid-up capital at 1 July	338,386	313,245	338,917	313,794
Shares allocated to employees by employee share scheme	18	18	-	-
Shares issued to employees by employee share scheme	304	-	-	-
Shares issued under the dividend reinvestment plan	10,721	25,123	10,721	25,123
Shares purchased through an on-market share buy-back	(583)	-	(583)	-
Closing issued and paid-up capital at 30 June	348,846	338,386	349,055	338,917

	GROUP		PARENT	
	2012 Shares	2011 Shares	2012 Shares	2011 Shares
Opening number of shares issued at 1 July	1,322,158,245	1,309,974,587	1,322,564,489	1,310,392,831
Shares allocated to employees by employee share scheme	12,000	12,000	-	-
Shares issued to employees by employee share scheme	200,500	-	-	-
Shares issued under the dividend reinvestment plan	4,665,700	12,171,658	4,665,700	12,171,658
Shares purchased through an on-market share buy-back	(4,665,700)	-	(4,665,700)	-
Closing number of shares issued at 30 June	1,322,370,745	1,322,158,245	1,322,564,489	1,322,564,489

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All issued shares are fully paid and have no par value. The company does not limit the amount of authorised capital.

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

Shares forfeited by employees participating in the Employee Share Purchase Plan become shares held by the Employee Share Purchase Plan. Shares allocated to employees participating in the Employee Share Purchase Plan are no longer shares held by the Employee Share Purchase Plan. As a member of the group the shares held by the Employee Share Purchase Plan are eliminated from the group's issued and paid-up capital. At 30 June 2012 the number of shares held by the Employee Share Purchase Plan was 193,744 (2011: 406,244).

Auckland Airport operates a dividend reinvestment plan. Under the plan, shareholders can elect to receive the value of their dividends in additional shares. Auckland Airport considers whether the plan will apply

to a dividend at each dividend announcement. In the year ended 30 June 2012, 4,665,700 shares with a total value of \$10.721 million were issued in lieu of a cash dividend (30 June 2011: 12,171,658 shares with a total value of \$25.123 million).

On 12 October 2011 the company announced it would undertake an on-market buy-back of its ordinary shares. The purpose of the share buy-back was to eliminate the dilutionary impact of shares issued pursuant to the dividend reinvestment plan for the dividend of 4.70 cents per ordinary share payable on 21 October 2011. During the period to 31 December the company completed the share buy-back and purchased a total of 4,665,700 ordinary shares, matching exactly the shares issued under the dividend reinvestment plan, at a total cost of \$10.883 million. All of the shares acquired under the buy-back have been cancelled. The total buy-back cost of \$10.883 million was applied against issued and paid-up capital for \$0.583 million, representing the estimated share capital attributable to the shares purchased, and the balance of \$10.300 million was applied against the cancelled share reserve.

16. Retained earnings and reserves

(a) Movements in retained earnings were:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Balance at 1 July	158,407	150,471	168,282	155,406
Profit after taxation	142,284	100,761	143,000	105,715
Ordinary dividends paid (refer note 9)	(120,348)	(111,008)	(120,365)	(111,022)
Reclassification from revaluation reserve	1,614	18,183	1,614	18,183
Balance at 30 June	181,957	158,407	192,531	168,282

(b) Reserves

(i) Cancelled share reserve

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening cancelled share reserve	(161,304)	(161,304)	(161,304)	(161,304)
Shares cancelled after on-market share buy-back	(10,300)	-	(10,300)	-
Closing cancelled share reserve	(171,604)	(161,304)	(171,604)	(161,304)

The cancelled share reserve records the premium above paid-up share capital incurred on the return of capital to shareholders and on-market buy-backs of ordinary shares.

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(ii) Property, plant and equipment revaluation reserve

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Balance at the beginning of the year	2,149,731	1,632,764	2,149,731	1,632,764
Reclassification to retained earnings	(1,614)	(18,183)	(1,614)	(18,183)
Revaluation movements	-	582,698	-	582,698
Movement in deferred tax	472	(47,548)	472	(47,548)
Balance at the end of the year	2,148,589	2,149,731	2,148,589	2,149,731

(iii) Share-based payments reserve

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Balance at the beginning of the year	913	906	913	906
Employee share purchase plan	-	7	-	7
Balance at the end of the year	913	913	913	913

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 26 for further details of these plans.

(iv) Cash flow hedge reserve

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Balance at the beginning of the year	(20,674)	(18,899)	(20,674)	(18,899)
Fair value change in hedging instrument	(19,716)	(16,198)	(19,716)	(16,198)
Transfer to income statement	11,466	13,733	11,466	13,733
Movement in deferred tax	2,310	690	2,310	690
Balance at the end of the year	(26,614)	(20,674)	(26,614)	(20,674)

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.

(v) Share of reserves of associate

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Balance at the beginning of the year	(1,683)	(1,202)	-	-
Share of reserves of associate	(9,668)	(481)	-	-
Balance at the end of the year	(11,351)	(1,683)	-	-

The share of reserves of associate records the group's share of movements in the cash flow hedge reserve of the associates. The cash flow hedge reserve of the associate's 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 of the associate are included in the share of profit of an associate.

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(vi) Foreign currency translation reserve

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Balance at the beginning of the year	3,755	(2,347)	-	-
Fair value change in hedging instrument	680	(2,635)	-	-
Foreign currency translation	(2,404)	8,737	-	-
Balance at the end of the year	2,031	3,755	-	-

17. Accounts payable and accruals

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Employee entitlements	2,778	4,857	2,778	4,857
Phantom option plan accrual (refer note 26)	3,000	2,600	3,000	2,600
GST payable	3,172	1,792	3,172	1,792
Property, plant and equipment retentions and payables	17,165	18,050	17,165	18,050
Trade payables	947	1,623	947	1,623
Other payables and accruals	27,377	23,853	27,377	23,612
Total accounts payable and accruals	54,439	52,775	54,439	52,534

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

Amounts owing to the related parties at 30 June 2012 are \$0.269 million (2011: \$0.267 million).

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18. Borrowings

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

	Maturity	Coupon	GROUP		PARENT	
			2012 \$000	2011 \$000	2012 \$000	2011 \$000
Current						
Commercial paper	< 3 months	Floating	81,800	81,803	81,800	81,803
Floating rate notes	29/07/2011	Floating	-	5,000	-	5,000
Bonds	29/07/2011	6.83%	-	70,203	-	70,203
Bonds	7/11/2012	7.19%	50,000	-	50,000	-
Bank facility	31/01/2012	Floating	-	275,000	-	275,000
Bank facility	10/03/2013	Floating	50,000	-	50,000	-
Total short-term borrowings			181,800	432,006	181,800	432,006
Non-current						
Bank Facility	10/03/2013	Floating	-	52,000	-	52,000
Bank Facility	31/01/2015	Floating	51,053	-	51,053	-
Bank Facility	10/03/2016	Floating	125,000	-	125,000	-
Bonds	7/11/2012	7.19%	-	50,000	-	50,000
Bonds	28/02/2014	7.25%	50,000	50,000	50,000	50,000
Bonds	27/11/2014	7.00%	128,447	127,964	128,447	127,964
Bonds	7/11/2015	7.25%	100,000	100,000	100,000	100,000
Bonds	10/08/2016	8.00%	27,522	26,473	27,522	26,473
Bonds	15/11/2016	8.00%	129,992	129,992	129,992	129,992
Bonds	17/10/2017	5.47%	102,409	-	102,409	-
USPP notes	15/02/2021	4.42%	69,975	60,643	69,975	60,643
USPP notes	12/07/2021	4.67%	70,997	(4,996)	70,997	(4,996)
USPP notes	15/02/2023	4.57%	71,535	60,564	71,535	60,564
Total term borrowings			926,930	652,640	926,930	652,640
Total						
Commercial paper			81,800	81,803	81,800	81,803
Bank facilities			226,053	327,000	226,053	327,000
Floating rate notes			-	5,000	-	5,000
Bonds			588,370	554,632	588,370	554,632
USPP notes			212,507	116,211	212,507	116,211
Total borrowings			1,108,730	1,084,646	1,108,730	1,084,646
Summary of maturities						
Due less than 1 year			181,800	432,006	181,800	432,006
Due 1 to 3 years			354,500	152,000	354,500	152,000
Due 3 to 5 years			257,514	227,964	257,514	227,964
Due greater than 5 years			314,916	272,676	314,916	272,676
			1,108,730	1,084,646	1,108,730	1,084,646

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

Bank facilities

In October 2011, the company established a dual tranche multi-currency bank facility provided by Commonwealth Bank of Australia with a maturity date of 31 January 2015, comprising a NZ\$135 million facility (Facility A) and a AU\$40 million facility (Facility B). This bank facility in conjunction with the term bond also issued in October 2011 (refer below) was used to refinance the \$275 million bank facility which matured on 31 January 2012. As at 30 June 2012, Facility A is undrawn. Facility B was fully drawn to AU\$40 million (NZD equivalent NZ\$51 million). The AU\$40 Million Facility B is used as a partial hedge against the company's investment in its Australian associate, North Queensland Airports (NQA).

During December 2009, the company established a bilateral \$150 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 facility originally matured 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 November 2011 the company extended the expiration of this bank facility to 10 March 2016. As at 30 June 2012, \$125 million is drawn.

In March 2008, the company established a cash advances facility agreement with a syndicate of banks for \$350 million. The facility contained a two-year facility of \$125 million, a three-year facility of \$125 million and a five-year revolving facility of up to \$100 million. The company repaid the two-year \$125 million facility in November 2009 and February 2010 in advance of its scheduled expiry date of March 2010. The company repaid the three-year \$125 million facility in February 2011 with proceeds from the USPP issuance in advance of its scheduled expiry date of March 2011. The remaining facility is \$100 million, of which \$50 million is drawn as at 30 June 2012.

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

The rates on NZ\$ bank facilities during the year have been between 2.95 percent and 4.12 percent (2011: 2.94 percent and 4.32 percent) and at year end the rates were between 3.08 percent and 3.62 percent (2011: 2.95 percent and 4.12 percent). The rates on AU\$ bank facilities during the year (excluding any hedging) were between 4.82 percent and 5.45 percent

(2011: nil) with the rate as at 30 June 2012 of 5.45 percent (2011: nil).

Term bonds

In October 2011, the company raised \$100 million through a public bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 5.47 percent with a maturity of 17 October 2017.

In July 2011, the \$70 million 6.83 percent fixed rate bonds matured and were repaid, along with the floating rate notes, with proceeds from the USPP issuance.

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

US private placement notes

In December 2010, the company issued a total of US\$150 million in the USPP market to refinance the bank facility which matured on March 2011 and the floating rate notes and fixed bonds which matured in July 2011. The USPP issuance is made up of three tranches of US\$50 million each. The tranches are a 4.42 percent coupon 10 year note and a 4.57 percent coupon 12 year note which were drawn in February 2011 as well as a 4.67 percent coupon 10 year note subsequently drawn in July 2011. Three cross currency interest rate swaps were also entered into at the same time to swap the US\$ principal and fixed coupon obligations to NZ\$ floating interest rates (3 month BKBM plus 2.05 percent, 2.143 percent and 2.328 percent respectively). These facilities were all drawn as at 30 June 2012, and are recorded on the balance sheet at their fair value including translation to NZ\$ at the spot rate as at 30 June 2012.

Floating rate notes

In July 2011 the \$5 million floating rate notes matured and were repaid, along with the fixed rate bonds, with proceeds from the USPP issuance.

Commercial paper

Commercial paper rates are set through a tender process and during the year ended 30 June 2012 the range of weighted average interest rates for each issue has been between 2.88 percent and 3.15 percent (2011: 2.88 percent and 3.53 percent) and at year end the rates were between 2.89 percent and 2.99 percent (2011: 2.88 percent and 2.91 percent).

Money market facilities

Money market funding was not required during the year ended 30 June 2012, or during the year ended 30 June 2011.

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

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

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Profit after taxation	142,284	100,761	143,000	105,715
Non-cash items:				
Depreciation	64,483	56,843	64,483	56,843
Bad debts and doubtful debts	(263)	82	(263)	82
Provision for loan write-off	775		775	
Deferred taxation expense	(3,084)	(13,828)	(3,560)	(13,840)
Share based payments expense	-	7	-	7
Equity accounted earnings from associates	(9,240)	(4,755)	-	-
Investment property fair value decrease/(increase)	(1,350)	(21,640)	(1,350)	(21,640)
Derivative fair value decrease/(increase)	2,148	(3,503)	2,148	(3,503)
Property plant and equipment fair value decrease/(increase)	-	63,465	-	63,465
Intercompany interest	-	-	(14,276)	(13,902)
Items not classified as operating activities:				
(Gain)/loss on asset disposals	(79)	114	(79)	114
(Gain)/loss on sale of associate	-	(1,240)	-	(1,240)
(Increase)/decrease in provisions and property, plant and equipment retentions and payables	1,592	(6,392)	1,592	(6,392)
Movement in working capital:				
(Increase)/decrease in current assets	2,668	(4,166)	2,668	(3,967)
(Increase)/decrease in taxation payable	(4,117)	1,568	(334)	5,729
Increase/(decrease) in accounts payable	915	7,448	2,167	7,422
Increase/(decrease) in other term liabilities	(7)	177	(7)	176
Net cash flow from operating activities	196,725	174,941	196,964	175,069

20. Financial instruments

The group's financial instruments that are assets comprise cash, accounts receivable, dividends receivable, interest basis swaps and derivatives (classified as fair value through profit and loss) and other non-current assets (classified as loans and receivables).

The group's financial instruments that are liabilities comprise accounts payable and accruals, borrowings, provisions, other liabilities (classified as financial liabilities at amortised cost) and derivatives (classified as fair value through profit and loss).

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The total carrying amount of the group and parent's financial assets and liabilities are detailed below:

	GROUP				
	Loans and Receivables \$000	Financial Liabilities at Amortised Cost \$000	Fair Value through profit and loss - designated hedge relationship \$000	Fair Value through profit and loss - held for trading \$000	Total \$000
Year ended 30 June 2012					
Current assets	63,796	-	54	-	63,850
Non-current assets	-	-	23,202	1,461	24,663
Total financial assets	63,796	-	23,256	1,461	88,513
Current liabilities	-	236,764	1,339	-	238,103
Non-current liabilities	-	927,629	31,627	-	959,256
Total financial liabilities	-	1,164,393	32,966	-	1,197,359

	GROUP				
	Loans and Receivables \$000	Financial Liabilities at Amortised Cost \$000	Fair Value through profit and loss - designated hedge relationship \$000	Fair Value through profit and loss - held for trading \$000	Total \$000
Year ended 30 June 2011					
Current assets	70,441	-	2,011	-	72,452
Non-current assets	775	-	5,184	3,503	9,462
Total financial assets	71,216	-	7,195	3,503	81,914
Current liabilities	-	486,013	2,784	-	488,797
Non-current liabilities	-	653,346	41,146	-	694,493
Total financial liabilities	-	1,139,359	43,930	-	1,183,289

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	PARENT					
	Loans and Receivables \$000	Financial Liabilities at Amortised Cost \$000	Fair Value through profit and loss - designated hedge relationship \$000	Fair Value through profit and loss - held for trading \$000	Investment at cost \$000	Total \$000
Year ended 30 June 2012						
Current assets	60,506	-	54	-	-	60,560
Non-current assets	166,651	-	23,202	1,461	40,000	231,314
Total financial assets	227,157	-	23,256	1,461	40,000	291,874
Current liabilities	-	236,764	1,339	-	-	238,103
Non-current liabilities	-	927,629	31,627	-	-	959,256
Total financial liabilities	-	1,164,393	32,966	-	-	1,197,359

	PARENT					
	Loans and Receivables \$000	Financial Liabilities at Amortised Cost \$000	Fair Value through profit and loss - designated hedge relationship \$000	Fair Value through profit and loss - held for trading \$000	Investment at cost \$000	Total \$000
Year ended 30 June 2011						
Current assets	66,622	-	2,011	-	-	68,633
Non-current assets	174,612	-	5,184	3,503	41,733	225,032
Total financial assets	241,234	-	7,195	3,503	41,733	293,665
Current liabilities	-	485,772	2,784	-	-	488,556
Non-current liabilities	-	653,346	41,146	-	-	694,493
Total financial liabilities	-	1,139,119	43,930	-	-	1,183,049

The group's derivative financial instruments are interest rate swaps, cross-currency interest rate swaps, interest basis swaps and forward foreign currency contracts. All of the group's derivative financial instruments with the exception of the interest basis swaps are effective hedging instruments for financial reporting purposes. The interest basis swaps are transacted as hedges but do not qualify for hedge accounting. The group's financial instruments arise directly from the group's operations as part of raising finance for the group's operations or providing a new investment hedge for the group.

Fair value

The carrying value approximates the fair value of cash, accounts receivable, dividend receivable, other non-current assets, derivative financial instruments, accounts payable and accruals, provisions and other term liabilities. The carrying amount of the group'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. The fair value of the USPP notes has been determined at balance date on a discounted cash flow basis using current market interest rates.

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GROUP AND PARENT

	2012		2011	
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
Bonds	588,370	628,727	554,632	590,198
USPP notes	212,507	237,961	116,211	135,327

The Group 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 group's derivative financial instruments (see note 21) 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, cross-currency interest rate swaps, interest basis swaps and forward foreign currency contracts are calculated as the present value of the estimated future cash flows based on observable interest yield curves or foreign exchange market prices.

21. Financial risk management objectives and policies

The group 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 group has no other material direct price risk exposure.

(a) Credit risk

The group's 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. The parent's maximum exposure to credit risk includes the carrying value of financial instruments listed above as well as the carrying value of the intercompany loans.

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

The group's credit risk is also attributable to accounts receivable which principally comprise amounts due from airlines, tenants and licensees. The group has a policy that manages exposure to credit risk by way of requiring a performance bond for some customers whose credit rating or history indicates that this would be prudently required. The value of performance bonds for the group is \$0.700 million (2011: \$0.707 million). There are no significant concentrations of credit risk.

(b) Liquidity risk

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

To manage the liquidity risk, the group's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2012, this facility headroom was \$210.000 million (2011: \$198.000 million). The group's policy also requires the spreading of debt maturities.

(i) Non-derivative financial liabilities

The following liquidity risk disclosures reflect all undiscounted repayments and interest resulting from recognised financial liabilities and financial assets as at 30 June 2012. 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 group's on-going operations such as property, plant and equipment, investment properties and investments in working capital.

Liquid non-derivative assets comprising cash and receivables are considered in the group's overall liquidity risk. The group ensures that sufficient liquid

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assets or committed funding facilities are available to meet all the required short term cash payments and

expects borrowings to roll over.

	GROUP				
	< 1 year	1 to 3 years	3 to 5 years	>5 years	Total
	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2012					
Financial assets					
Cash	42,842	-	-	-	42,842
Accounts receivable	17,664	-	-	-	17,664
Dividend receivable	3,290	-	-	-	3,290
Other non-current assets	-	-	-	-	-
Total financial assets	63,796	-	-	-	63,796

Financial liabilities					
Accounts payable, accruals and provisions	55,664	-	-	-	55,664
Commercial paper	82,000	-	-	-	82,000
Bank facilities	50,000	51,053	125,000	-	226,053
Bonds	50,000	175,000	254,992	100,000	579,992
USPP notes	-	-	-	195,184	195,184
Interest payable	58,529	101,169	54,205	45,742	259,645
Total financial liabilities	296,193	327,222	434,197	340,926	1,398,538

	GROUP				
	< 1 year	1 to 3 years	3 to 5 years	>5 years	Total
	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2011					
Financial assets					
Cash	46,146	-	-	-	46,146
Accounts receivable	20,476	-	-	-	20,476
Dividend receivable	3,820	-	-	-	3,820
Other non-current assets	775	-	-	-	775
Total financial assets	71,216	-	-	-	71,216

Financial liabilities					
Accounts payable, accruals and provisions	54,714	-	-	-	54,714
Commercial paper	82,000	-	-	-	82,000
Bank facilities	275,000	52,000	-	-	327,000
Floating rate notes	5,000	-	-	-	5,000
Bonds	70,000	100,000	225,000	154,992	549,992
USPP notes	-	-	-	195,184	195,184
Interest payable	54,182	85,022	56,002	52,523	247,729
Total financial liabilities	540,896	237,022	281,002	402,699	1,461,619

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	PARENT				Total \$000
	< 1 year \$000	1 to 3 years \$000	3 to 5 years \$000	>5 years \$000	
As at 30 June 2012					
Financial assets					
Cash	42,842	-	-	-	42,842
Accounts receivable	17,664	-	-	-	17,664
Intercompany loans	-	-	-	166,651	166,651
Total financial assets	60,506	-	-	166,651	227,157

Financial Liabilities					
Accounts payable, accruals and provisions	55,664	-	-	-	55,664
Commercial paper	82,000	-	-	-	82,000
Bank facilities	50,000	51,053	125,000	-	226,053
Bonds	50,000	175,000	254,992	100,000	579,992
USPP notes	-	-	-	195,184	195,184
Interest payable	58,529	101,169	54,205	45,742	259,645
Total financial liabilities	296,193	327,222	434,197	340,926	1,398,538

	PARENT				Total \$000
	< 1 year \$000	1 to 3 years \$000	3 to 5 years \$000	>5 years \$000	
As at 30 June 2011					
Financial assets					
Cash	46,146	-	-	-	46,146
Accounts receivable	20,476	-	-	-	20,476
Intercompany loans	-	-	-	173,837	173,837
Other non-current assets	775	-	-	-	775
Total financial assets	67,397	-	-	173,837	241,234

Financial Liabilities					
Accounts payable, accruals and provisions	54,473	-	-	-	54,473
Commercial paper	82,000	-	-	-	82,000
Bank facilities	275,000	52,000	-	-	327,000
Floating rate notes	5,000	-	-	-	5,000
Bonds	70,000	100,000	225,000	154,992	549,992
USPP notes	-	-	-	195,184	195,184
Interest payable	54,182	85,022	56,002	52,523	247,729
Total financial liabilities	540,655	237,022	281,002	402,699	1,461,378

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(ii) Derivative financial liabilities

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

	GROUP AND PARENT				
	< 1 year \$000	1 to 3 years \$000	3 to 5 years \$000	>5 years \$000	Total \$000
As at 30 June 2012					
Current derivative assets – cash flow hedge	53	-	-	-	53
Non-current derivative assets – fair value hedge	3,189	4,829	1,763	44	9,825
Non-current derivative assets – cross currency hedges	(876)	(2,436)	(4,203)	32,022	24,507
Non-current derivative assets – interest basis swap	142	346	346	781	1,615
Current derivative liabilities – cash flow hedge	(1,354)	-	-	-	(1,354)
Non-current derivative liabilities – cash flow hedge	(6,641)	(13,752)	(9,886)	(3,942)	(34,221)
Total	(5,487)	(11,013)	(11,980)	28,905	425

	GROUP AND PARENT				
	< 1 year \$000	1 to 3 years \$000	3 to 5 years \$000	>5 years \$000	Total \$000
As at 30 June 2011					
Current derivative assets – foreign currency contract	148	-	-	-	148
Current derivative assets – fair value hedge	1,868	-	-	-	1,868
Non-current derivative assets – fair value hedge	2,198	2,445	382	491	5,516
Non-current derivative assets – interest basis swaps	363	854	876	2,436	4,529
Current derivative liabilities – cash flow hedge	(2,818)	-	-	-	(2,818)
Non-current derivative liabilities – cash flow hedge	(7,798)	(9,979)	(5,028)	(2,097)	(24,902)
Non-current derivative liabilities – cross-currency hedge	3,209	(7,320)	(11,235)	(2,996)	(18,342)
Total	(2,830)	(14,000)	(15,005)	(2,166)	(34,001)

Consistent with the presentation as at 30 June 2012, the disclosure of the contractual undiscounted cash flows of the Cross Currency Hedges as at 30 June 2011 above has been recalculated using forward FX rates at 30 June 2011 for the foreign currency leg (rather than the spot rate at 30 June 2011).

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(c) Interest rate risk

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

The group's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt that are accounted for as cash flow hedges or fair value hedges. The group's policy is to keep its exposure to borrowings at fixed rates of interest between parameters set out in the group's treasury policy.

At year-end 66 percent (2011: 64 percent) 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 eleven years from 30 June 2012 (2011: one month and twelve years).

At balance date, the company had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk after considering hedging instruments:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Financial assets				
Cash	42,842	46,146	42,842	46,146
	42,842	46,146	42,842	46,146
Financial liabilities				
Floating rate notes	-	5,000	-	5,000
Bonds in fair value hedge	125,000	145,000	125,000	145,000
Bank facilities	50,000	137,000	50,000	137,000
Commercial paper	22,000	12,000	22,000	12,000
USPP notes	195,184	129,567	195,184	129,567
	392,184	428,567	392,184	428,567
Net exposure	349,342	382,421	349,342	382,421

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.

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Increase in interest rates of one per cent				
Effect on profit before taxation	(3,493)	(3,824)	(3,493)	(3,824)
Effect on equity before taxation	13,495	9,013	13,495	9,013
Decrease in interest rates of one per cent				
Effect on profit before taxation	3,493	3,824	3,493	3,824
Effect on equity before taxation	(14,490)	(9,507)	(14,490)	(9,507)

Significant assumptions used in the interest rate sensitivity analysis include the following:

- Effect on profit before tax and effect on retained earnings is based on net floating rate debt and funds on deposit as at 30 June 2012 of \$349.342 million (2011: \$382.400 million). An interest rate of plus and minus 1 percent has therefore been applied to this floating rate debt to demonstrate the sensitivity of interest rate risk.
- 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 percent effective as at 30 June 2012 are assumed to remain 100 percent effective until maturity, therefore any movement in these derivative valuations are taken to the cash flow hedge reserve.

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At balance date the fair value of interest rate derivatives are as follows:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Current assets				
Interest rate swaps – cash flow hedges	54	-	54	-
Interest rate swaps – fair value hedges	-	1,864	-	1,864
Total	54	1,864	54	1,864
Non-current assets				
Cross-currency interest rate swaps	13,910	-	13,910	-
Interest rate swaps – fair value hedges	9,293	5,184	9,293	5,184
Interest basis swaps	1,461	3,503	1,461	3,503
Total	24,664	8,687	24,664	8,687
Current liabilities				
Interest rate swaps– cash flow hedges	1,339	2,784	1,339	2,784
Total	1,339	2,784	1,339	2,784
Non-current liabilities				
Interest rate swaps– cash flow hedges	31,627	23,024	31,627	23,024
Cross-currency interest rate swaps	-	18,122	-	18,122
Total	31,627	41,146	31,627	41,146

The value of current assets for derivatives is \$0.054 million (2011: \$2.011 million) and includes both the interest rate swaps (above) and the forward foreign exchange contract in note 21(d).

Interest rate swaps

Cash flow hedges

At 30 June 2012, 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 2012 is \$361.053 million (2011: \$260.000 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on bank facilities and commercial paper. The interest payment frequency on these borrowings is quarterly.

During the year the company entered into four forward starting interest rate swaps with a notional value of \$125.000 million with an effective date from 17 Feb 2014 to 31 Oct 2017, which are included in the fair value of derivatives above, but on which the company are not yet paying or receiving interest on.

During the year, the company assessed the cash flow hedges to be highly effective. No ineffectiveness has

been required to be recognised in the income statement.

Fair value hedges

At 30 June 2012, the company held interest rate swaps and cross-currency 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 and cross-currency interest rate swaps at 30 June 2012 is \$320.184 million (includes \$195.184 million of cross currency interest rate swaps) (2011: \$340.184 million, includes \$195.184 million of cross currency interest rate swaps). These interest rate swaps and cross-currency 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.

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

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Gains/(losses) on the fixed interest bonds	(3,738)	568	(3,738)	568
Gains/(losses) on the USPP notes	(24,399)	923	(24,399)	923
Gains/(losses) on the derivatives	28,137	(1,491)	28,137	(1,491)

As part of the issuance of the USPP notes and cross-currency interest rate swaps additional interest rate basis swaps were taken out by the company to hedge the basis risk on the cross-currency interest rate swaps. The basis swap is not hedge accounted.

Gains or losses on the basis swaps recognised in the income statement during the period were:

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Gains/(losses) on the derivatives	(2,148)	3,503	(2,148)	3,503

The following table demonstrates the sensitivity to a change in NZD/USD basis spread. The interest rate basis swaps taken out by the company to hedge the basis risk on the cross currency interest rate swaps is not hedge accounted in either the parent or group, therefore all foreign currency movements are recognised in the income statement. The sensitivity on this basis spread was calculated by taking the spot 10 year basis spread and moving this spot rate by the reasonably possible movement of plus and minus five points.

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Increase of NZD/USD basis spread of 5 points				
Impact on profit before taxation	(768)	(782)	(768)	(782)
Decrease of NZD/USD basis spread of 5 points				
Impact on profit before taxation	768	782	768	782

(d) Foreign currency risk

The group is exposed to foreign currency risk with respect to Australian and US dollars. Exposure to the Australian dollar arises from the translation risk related to investment in foreign operations. Exposure to US dollar arises from US private placement borrowings denominated in that currency.

During the year the group established a new multi-currency bank facility and as at 30 June 2012 had drawn down AU\$40.000 million on Facility B as a partial hedge of the net investment in North Queensland Airport operation. In the prior year, and as

at 30 June 2011, the group used a forward foreign exchange contract of AU\$40.000 million as a partial hedge of the net investment in North Queensland Airport operation.

The group's exposure to the US dollar has been fully hedged by way of cross-currency interest rate swaps, hedging US dollar exposure on both principal and interest. The cross-currency interest rate swaps correspond in amount and maturity to the US dollar borrowings with no residual US dollar foreign currency risk exposure.

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The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date. At 30 June 2012, had the New Zealand Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Increase in value of NZ Dollar of 10 percent				
Impact on profit before taxation	(55)	-	4,595	-
Impact on equity before taxation	(27,938)	(22,937)	(19,587)	(12,884)
Decrease in value of NZ Dollar of 10 percent				
Impact on profit before taxation	68	-	(5,617)	-
Impact on equity before taxation	33,097	28,035	22,890	15,748

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements. A movement of plus and minus 10 percent has therefore been applied to the exchange rates to demonstrate the sensitivity of foreign currency risk of the company's investment in foreign operations debt and associated derivative financial instruments.
- The sensitivity was calculated by taking the spot rate as at balance date of 0.7835 (2011: 0.7732) for AUD and 0.80135 (2011: 0.8292) for USD and moving this spot rate by the reasonably possible movements of plus and minus 10 percent and then re-converting the foreign currency into NZD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the group.
- As at 30 June 2012, the AU\$40.000 million bank facility is not hedge accounted in the parent therefore all FX movements are taken to the profit and loss, and is in a net investment hedge at the group level therefore all movements are taken to the foreign currency translation reserve. As at 30

June 2011, the foreign exchange forward contract on the AUD was 100 percent effective in a fair value hedge at the parent level therefore all movements were taken to the investment in subsidiary (no impact on either profit and loss or equity), and in a net investment hedge at the group level therefore all movements were taken to the foreign currency translation reserve.

- The cross-currency interest rate swap contract on the USD USPP notes in place as at 30 June 2012 is 100 percent effective as at 30 June 2012 and is assumed to remain 100 percent effective until maturity. The cross-currency interest rate swaps consist of a fair value hedge component where all movements are taken to the USPP notes and a cash flow hedge component where all movements are taken to the cash flow hedge reserve.
- The net exposure at balance date is representative of what the group was and is expecting to be exposed to in the next twelve months from balance date.

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At balance date the fair value of foreign currency derivatives are as follows:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Current assets				
Forward foreign exchange contract – net investment hedge	-	148	-	-
Forward foreign exchange contract – fair value hedge	-	-	-	148
Interest rate swaps - cash flow hedges	54	-	54	-
Total	54	148	54	148
Non-current assets				
Cross-currency interest rate swaps	13,910	-	13,910	-
Total	13,910	-	13,910	-
Non-current liabilities				
Cross-currency interest rate swaps	-	18,122	-	18,122
Total	-	18,122	-	18,122

Foreign currency translation risk of investment in North Queensland Airports

At 30 June 2012, the AU\$40.000 million bank facility is drawn as a net investment hedge (at group level) of foreign currency translation risk of the investment in North Queensland Airport, therefore all FX revaluation movements on the bank facility and on the investment in North Queensland Airport are recognised in the foreign currency translation reserve. The AU\$40.000 million bank facility is not hedge accounted in the parent, therefore all FX revaluation movements on the bank facility are recognised in the profit and loss.

At 30 June 2011, the group held forward foreign exchange contracts to sell AU\$40.000 million and buy New Zealand dollars for value on 13 July 2011 at a forward rate of \$0.77735 as a net investment hedge (at group level) of foreign currency translation risk of the

investment in North Queensland Airport with gains or losses on the forward foreign exchange contract and the investment in North Queensland Airports recognised in the foreign currency translation reserve.

The forward foreign exchange contract was designated as a fair value hedge at the parent level as a hedge of fair value movements arising from Auckland Airport's investment in North Queensland Airports, via its subsidiary Auckland Airport Holdings Limited. Gains or losses on the forward foreign exchange contract and the investment in North Queensland Airports therefore offset each other in the profit and loss in the parent

Movements on the above mentioned derivative financial instruments during the period were:

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Gains/(losses) taken to foreign currency translation	1,724	(6,102)	-	-
Gains/(losses) taken to profit and loss	-	-	(1,053)	-

Cross-currency interest rate swaps and basis swaps

Cross-currency interest rate swaps combined with the basis swaps are used to convert the US dollar denominated debt issued by the company into synthetic New Zealand dollar denominated debt. Cross-currency interest rate swap contracts combined with basis swap

contracts eliminate foreign currency risk on the underlying debt determining the New Zealand dollar equivalent to the interest payments and final principal exchange at the time of entering into the contract.

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(e) Capital risk management

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

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

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

The gearing ratio is calculated as borrowings divided by borrowings plus shareholders' equity. The gearing ratio as at 30 June 2012 is 30.9 percent (2011: 30.5 percent). The current long-term credit rating of Auckland Airport by Standard and Poor's at 30 June 2012 is A- Stable Outlook (2011: A- Stable Outlook).

22. Commitments

(a) Property, plant and equipment

The group had contractual obligations to suppliers to purchase or develop property, plant and equipment for \$1.978 million at balance date (2011: \$17.522 million).

(b) Investment property

The group had contractual obligations to suppliers to purchase or develop investment property for \$11.639 million at balance date (2011: \$3.431 million). The company has further contractual obligations to tenants to purchase or develop investment property for \$3.100 million at balance date (2011: \$10.000 million).

The group has contractual commitments for repairs, maintenance and enhancements on investment

property for \$1.272 million at balance date (2011: \$1.213 million).

(c) Operating lease receivable – group as lessor

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

These non-cancellable leases have remaining terms of between one month and 29 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

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

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Within one year	141,639	129,374	141,639	129,374
After one year but no more than five years	357,483	352,839	357,483	352,839
After more than five years	103,781	103,793	103,781	103,793
Total minimum lease payments receivable	602,903	586,006	602,903	586,006

23. 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 had commenced but on 28 August 2009 Auckland Airport announced that this construction had been deferred. Auckland Airport has gone through extensive consultation with the airline industry and continues to review capacity management on the existing runway to estimate the

optimal construction for a second runway expected to be operational in the next decade.

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.

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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 \$10.0 million (refer to Note 24).

24. Provisions for noise mitigation

Since 2005, the company has made acoustic treatment offers to a total of 2,700 houses and six schools. Homeowners of 390 homes and five schools have accepted these offers. All offers made are open for 12 months.

The last offers were made in April 2010 and no further offers are expected to be made until April 2013 at the earliest. No offers were made in the 2012 and 2011

years. There are currently no open offers available to be accepted.

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

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Opening balance	1,232	567	1,232	567
Provisions made in the period	-	1,911	-	1,911
Expenditure in the period	(707)	(1,246)	(707)	(1,246)
	525	1,232	525	1,232

25. 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, except as noted below.

HMSC-AIAL Limited was sold on 18 August 2010 and from that time is no longer a related party.

No guarantees have been given or received.

For the year ended 30 June 2012, the Group has provided in full for the impairment of a \$0.775 million loan to Auckland International Airport Marae Limited. There were no impairment losses relating to amounts owed by related parties in the prior period.

No other expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

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 loans to Auckland Airport Limited and Auckland Airport Holdings (No. 2) Limited,

and loans from Auckland Airport Employee Share Purchase Plan, which are interest free (refer note 7).

North Queensland Airports

North Queensland Airports is an associate entity of the group. During the year ended 30 June 2012 Auckland Airport received directors fees of \$0.206 million (2011: \$0.206 million) for the provision of two of Auckland Airport's senior management staff, who are each on one of the two boards of directors of North Queensland Airports. These directors apply their airport industry knowledge and skills, supported by the expertise of the other senior management of Auckland Airport, to protect and grow the value of the investment.

The directors of North Queensland Airports declared dividends of AU\$42.000 million throughout the year ended 30 June 2012 including a dividend of AU\$10.500 million declared on 30 June 2012 (year ended 30 June 2011: AU\$27.500 million). The group's share of the dividends are AU\$10.311 million (NZ\$13.253 million) (2011: AU\$6.751 million, NZ\$8.756 million). The dividend declared on 30 June 2012 was subsequently received on 1 August 2012.

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Auckland Airport Hotel Limited Partnership

Auckland Airport Hotel Limited Partnership is an associate entity of the group. During the year ended 30 June 2012 the group received rental income of \$0.794 million (2011: \$0.098 million) and paid facilities hire fees of \$0.037 million (2011: nil). Future minimum rentals receivable under the non-cancellable operating lease with the Auckland Airport Hotel Limited Partnership as at 30 June are \$11.225 million (2011: \$11.432 million). In addition to this two of Auckland Airport's senior management staff are directors on the board of the Auckland Airport Hotel Limited partnership. No director's fees are paid in relation to these appointments but the skills and experience of these directors are being utilised to protect and grow Auckland Airport's investment.

The directors of Auckland Airport Hotel Limited partnership declared a repayment of partner contribution of \$2.600 million in the year ended 30 June 2012 (year ended 30 June 2011: nil). The group's share of the partner contribution is \$0.520 million (2011: nil) and the amount receivable at year end was nil (2011: nil).

Queenstown Airport

Queenstown Airport is an associate entity of the group. During the year ended 30 June 2012 the group received \$0.022 million for services provided by Auckland Airport in accordance with the Strategic Alliance Agreement, utilising the skills, expertise and experience of some of Auckland Airport's management staff to help protect and grow Auckland Airport's investment in Queenstown Airport (2011: nil).

The directors of Queenstown Airport declared dividends of \$4.288 million in the year ended 30 June 2012 (year ended 30 June 2011: nil). The group's share of the dividend is \$1.072 million (2011: nil) and the amount receivable at year end was nil (2011: nil).

Auckland Council

Auckland Council's shareholding of Auckland International Airport exceeds 20 percent and as such accounting standard NZ IAS 24 requires the

transactions with Auckland Council to be treated as related party transactions for the year ended 30 June 2012. Rates of \$6.731 million (2011: \$6.025 million) and compliance, consent costs and other local government regulatory obligations of \$0.600 million (2011: \$0.480 million) were incurred for the year ended 30 June 2012. Auckland Airport also has a grounds maintenance contract with City Park Services, a commercial business of Auckland Council. In the year ended 30 June 2012 grounds maintenance costs of \$1.505 million (2011: \$1.576 million) were incurred.

Further, on 28 October 2010 Auckland Airport and Manukau City Council came to an agreement where Auckland Airport agrees to vest approximately 24 hectares of land in the north of the airport to the Council as public open space for consideration of \$4.092 million. The vesting of the land will be triggered when building development in that precinct achieves certain levels. The same agreement also rationalised the road network within the airport with some roads to be transferred between the parties and some roads to be acquired by Auckland Airport for \$3.109 million. These transactions are not complete as at 30 June 2012 and the obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

(b) Loans to related parties

Interests in and loans to/from subsidiary companies are set out in note 7.

Auckland International Airport Marae Ltd

During the year the group provided in full for the impairment of a \$0.775 million loan outstanding as at 30 June 2012. No provision was made as at 30 June 2011. In the year ended 30 June 2012 maintenance and occupancy costs of \$0.021 million were incurred in relation to the Marae (2011: \$0.016 million). In addition, the group provided accounting and other advisory services to the Marae during the year ended 30 June 2012. No fees were paid for these services.

(c) Key personnel compensation

The table below includes the remuneration of directors and the senior management team:

	GROUP		PARENT	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Directors' fees	998	987	998	987
Senior management's salary and other short-term benefits	4,201	4,469	4,201	4,469
Senior management's share-based payment expense (refer note 26)	512	792	512	792
Total key personnel compensation	5,711	6,248	5,711	6,248

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26. Share-based payment plans

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

	GROUP		PARENT	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Expense from equity-settled share-based payments (employee share purchase plan)	-	7	-	7
Expense from cash-settled share-based payments (phantom option plan)	690	753	690	753
Total expense from share-based payment transactions	690	760	690	760

(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 Board.

The company advanced to the purchase plan all the monies necessary to purchase the shares under the purchase plan. The advances are repayable by way of deduction from the employee's regular remuneration. The terms of such loans are determined by the company. The amount payable by the company to the purchase plan at balance date is \$0.005 million. At 30

June 2011 the amount payable by the purchase plan to the company was \$0.095 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 by the employee 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 2012 are J Nicholl, S Robertson and C Spillane. J Nicholl is the general manager aeronautical operations, 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.

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

	2012 Shares	2011 Shares
Employee allocation - May 2009		
Opening balance	229,000	253,000
Shares fully paid and allocated during the year	(212,500)	(12,000)
Shares forfeited during the year	(16,500)	(12,000)
Balance at end of year	-	229,000

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

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	2012	2011
	Shares	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	47,600	31,100
Total unallocated shares held by the plan	193,744	177,244
Total ordinary shares held at 30 June	193,744	406,244

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 0.0146 percent (2011: 0.0307 percent) of the total company's shares on issue.

(b) Phantom option plan

To align leadership remuneration to the interests of shareholders, the directors adopted a Phantom Option Plan ("phantom plan") approach for each calendar year from 2005 to 2011.

The phantom plans for the years 2005 to 2008 have two components. One component involves the notional allocation of shares at the market value prevailing 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.

The phantom plans for the years 2009 to 2011 involve 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 percent. Any benefit above the initial issue price is payable in cash, less tax, three to five years after allocation.

Under a further phantom option plan, S Moutter was 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 potential exercise of those phantom options. Instead, if 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 issue 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. S Moutter has resigned from the company and his departure subsequent to year end on 9 August 2012 means he forfeits his entitlement to the final tranche of one million phantom options granted at the commencement of his employment.

In August 2011, the company entered into another long term incentive plan and retention agreement with S Moutter. The new long term incentive plan supplemented the plan that commenced on 4 August 2008. Under this new plan S Moutter was granted two million phantom options with effect from 25 August 2010. The workings of the new plan are the same as the 2008 plan except that the notional exercise price is \$2.093. The retention agreement element entailed the payment of \$0.750 million on 31 August 2013 should S Moutter remain in Auckland Airport's employment and certain EBITDA and EV/EBITDA performance thresholds were met to the satisfaction of the Board. The new long term incentive and retention agreement have been forfeited following S Moutter's departure from the company.

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

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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 percent per annum. S Moutter has not participated in the other phantom option plans.

In 2012 a minor error was identified in the calculation of the initial fair value of the cash-settled phantom plans (ie the plans other than those applicable to S Moutter) at grant date for the 2009 and 2010 calendar years. The correction to the calculation has been made and resulted in the number of phantom options granted to each participating executive increasing from the number disclosed in the 2011 Annual Report. The correction has been made to the number of options issued as at 30 June 2012 and results in a difference to the comparative as at 30 June 2011 in the tables below

resulting in the inclusion of an additional 447,049 options as at 30 June 2012.

As at 30 June 2012 the fair value of the cash-settled phantom plans for all the participating executives is \$3.000 million (2011: \$2.600 million) and full provision has been made in the financial statements.

Any expense reversal or expense relating to the change in fair value or cash payments has been included in staff expenses in the income statement.

Cash-settled share-based payments under the phantom plan were \$0.290 million during the year ended 30 June 2012 (2011: \$0.153 million).

The fair value of the cash-settled phantom options is measured at the reporting date using the Black-Scholes methodologies 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 2012 and 30 June 2011:

	Assumptions	Assumptions
	2012	2011
Expected volatility (%)	15.84%	17.80%
Risk-free interest rate (%)	2.70%	3.40%
Share price at measurement date (\$)	\$2.44	\$2.23

Phantom options

As at 30 June 2012

Issue Date	Date exercisable	Expiry Date	Number granted	Number lapsed	Number exercised	Number at 30 June 2012	Number exercisable at 30 June 2012	Share price
								to meet hurdle rate at 30 June 2012
26/08/2005	26/08/2008	26/08/2011	3,699,869	3,699,869	-	-	-	N/A
26/08/2006	26/08/2009	26/08/2012	2,593,825	1,698,303	-	895,522	-	\$3.09
24/08/2007	24/08/2010	24/08/2013	1,592,928	911,747	-	681,181	-	\$4.62
4/08/2008	4/08/2011	4/08/2013	1,000,000	-	-	1,000,000	-	\$2.95
4/08/2008	4/08/2012	4/08/2014	1,000,000	-	-	1,000,000	-	\$2.95
4/08/2008	4/08/2013	4/08/2015	1,000,000	-	-	1,000,000	-	\$2.95
22/08/2008	22/08/2011	22/08/2014	3,247,079	1,417,438	-	1,829,641	-	\$2.63
31/08/2009	31/08/2012	31/08/2014	2,630,752	476,660	-	2,154,092	-	\$2.01
25/08/2010	25/08/2013	25/08/2015	666,000	-	-	666,000	-	\$2.34
25/08/2010	25/08/2014	25/08/2016	666,000	-	-	666,000	-	\$2.34
25/08/2010	25/08/2015	25/08/2017	668,000	-	-	668,000	-	\$2.34
27/08/2010	27/08/2013	27/08/2015	2,628,381	390,791	-	2,237,590	-	\$2.20
24/08/2011	24/08/2014	24/08/2016	3,031,956	-	-	3,031,956	-	\$2.38
			24,424,790	8,594,808	-	15,829,982	-	

Auckland International Airport Limited

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2012

As at 30 June 2011

Issue Date	Date exercisable	Expiry Date	Number granted	Number lapsed	Number exercised	Number at 30 June 2011	Number exercisable at 30 June 2011	Share price to meet hurdle rate at 30 June 2011
26/08/2005	26/08/2008	26/08/2011	3,699,869	1,806,038	-	1,893,831	-	\$3.22
26/08/2006	26/08/2009	26/08/2012	2,593,825	1,698,303	-	895,522	-	\$2.88
24/08/2007	24/08/2010	24/08/2013	1,592,928	911,747	-	681,181	-	\$4.30
4/08/2008	4/08/2011	4/08/2013	1,000,000	-	-	1,000,000	-	\$2.71
4/08/2008	4/08/2012	4/08/2014	1,000,000	-	-	1,000,000	-	\$2.71
4/08/2008	4/08/2013	4/08/2015	1,000,000	-	-	1,000,000	-	\$2.71
22/08/2008	22/08/2011	22/08/2014	3,247,079	1,417,438	-	1,829,641	-	\$2.49
31/08/2009	31/08/2012	31/08/2014	2,587,973	476,660	-	2,111,313	-	\$1.90
25/08/2010	25/08/2013	25/08/2015	666,000	-	-	666,000	-	\$2.19
25/08/2010	25/08/2014	25/08/2016	666,000	-	-	666,000	-	\$2.19
25/08/2010	25/08/2015	25/08/2017	668,000	-	-	668,000	-	\$2.19
27/08/2010	27/08/2013	27/08/2015	2,224,111	390,791	-	1,833,320	-	\$2.09
			20,945,785	6,700,977	-	14,244,808	-	

Phantom Shares

As at 30 June 2012

Issue date	Settlement date	Number granted	Number lapsed	Number settled	Number at 30 June 2012
22/08/2008	22/08/2011	232,838	101,640	131,198	-

As at 30 June 2011

Issue date	Settlement date	Number granted	Number lapsed	Number settled	Number at 30 June 2011
24/08/2007	24/08/2010	143,277	65,591	77,686	-
22/08/2008	22/08/2011	232,838	101,640	-	131,198

27. Events subsequent to balance date

On 29 August 2012, the directors approved the payment of a fully imputed final dividend of 6.10 cents per share amounting to \$80.676 million to be paid on 19 October 2012.

On 27 August 2012, the directors of Queenstown Airport declared a dividend of \$2.587 million. The group's share of the dividend is \$0.646 million and payment was received on 28 August 2012.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
AUCKLAND INTERNATIONAL AIRPORT LIMITED**

Report on the Financial Statements

We have audited the financial statements of Auckland International Airport Limited and group on pages 1 to 66, which comprise the consolidated and separate statements of financial position of Auckland International Airport Limited, as at 30 June 2012, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm carries out other assignments for Auckland International Airport Limited in the area of provision of AGM vote scrutineer assistance. In addition to this, partners and employees of our firm deal with Auckland International Airport Limited on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in, Auckland International Airport Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 1 to 66:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Auckland International Airport Limited and group as at 30 June 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2012:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Auckland International Airport Limited as far as appears from our examination of those records.

Chartered Accountants



29 August 2012
Auckland, New Zealand

Appendix 1
Preliminary full year report
Auckland International Airport Limited

Results for announcement to the market

(This report is based on audited accounts)

Reporting Period	12 months to 30 June 2012
Previous Reporting Period	12 months to 30 June 2011

	Amount (000s) \$NZ	Percentage change
Revenue from ordinary activities	426,813	7.3%
Profit (loss) from ordinary activities after tax attributable to security holder.	142,284	41.2%
Net Profit (loss) attributable to security holders.	142,284	41.2%

For the year ended 30 June 2012 after adjustments in the changes in the fair value of the company's and the associate's investment properties (gain of \$4.743m), derivative fair value change (loss of \$2.466m) and associated tax affects for these adjustments (\$0.982m), underlying net profit is \$139.025m. For the year ended 30 June 2011, after adjustments in the changes in the fair value of the company's and the associate's investment properties (gain of \$25.979m), an adjustment for the component of changes in the fair value of property, plant and equipment with an impact in the income statement (decrease of \$63.465m), gain on sale of associate (\$1.240m), derivative fair value change (gain of \$3.503m) and associated tax affects for these adjustments (\$12.634m), underlying net profit is \$120.870m. The change in underlying profitability for the year ended 30 June 2012 compared to 2011 is an increase of 15.0%.

Interim/Final dividend	Amount per security \$NZ	Imputed amount per security \$NZ
Final dividend	0.061	0.023722

Record date	5 October 2012	
Dividend payment date	19 October 2012	

	2012 \$NZ	2011 \$NZ
Earnings per share	0.1075	0.0765
Net Tangible Assets per share	1.87	1.87

Comments:	
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Media Release | 30 August 2012

Auckland Airport announces financial results for year ending 30 June 2012

- **Reported profit and underlying profit both up**
- **Strong passenger growth at all four airports**
- **Dividend increased to 10.5 cents per share**
- **Ambitious growth strategy paying off**

Overview

Auckland Airport today announced a reported profit after tax of \$142.284 million, up 41.2%, while underlying profit after taxation was up 15.0% to \$139.025 million.

Auckland Airport's chair, Joan Withers, said, "Auckland Airport is pleased to have built on last year's breakout profit result and delivered an even better financial and operational performance for this financial year. This is in spite of difficult global economic conditions and weaknesses in traditional long-haul markets such as Europe that continue to challenge most businesses, including those in tourism, trade and aviation sectors."

"The improved results were largely fuelled by growth in passenger numbers across our airport interests," said Mrs Withers.

At Auckland Airport, total international passenger movements, including transits, were up 5.1%, and total domestic passenger movements were up 3.3%.

Queenstown's international passenger movements were up 21.2% and domestic passenger movements up 11.6%. At Cairns Airport, international passenger movements were up 3.5% while domestic passenger movements were up 3.2%. Mackay Airport also continued its good growth on the back of the resource sector, with passenger movements up 7.7%.

Mrs Withers said, "While there are clearly more people travelling to and from New Zealand than ever before, a closer look at the statistics reveals a fundamental shift in global travel demographics. Strong growth is occurring out of Australia, China, and many other South-East Asian nations, with declining travel numbers out of the United Kingdom, Europe, Japan and the United States. This reinforces the need to adapt."

A focus on 'making journeys better' was again recognised in the World Skytrax Airport Awards, with Auckland Airport awarded the best airport in Australia Pacific for the 4th year in a row, and named 2nd best in the world for airports with between 10 to 20 million passengers annually.

Mrs Withers said, "The 2012 financial and operational results offer further evidence of the merits and continued momentum of the long-term growth strategy and market focus that has driven our approach over the last few years.

"While airline customers, passengers and New Zealand economic interests have benefited, shareholders have also been rewarded by these efforts, with outstanding FY10, FY11 and FY12 total shareholder returns.

"After careful consideration of the capital structure of the business, and as a signal of confidence in our long term prospects, cash generation and ability to fund our growth aspirations, the Board is changing its dividend policy from paying 90% to paying 100% of net profit after tax (excluding unrealised gains and losses arising from a revaluation of property, or treasury instruments and other one-off items).

"As a result of the lift in financial performance and the change in dividend policy, the total dividends paid to shareholders for the year increases by 20.7% to 10.5 cents per share, with a final dividend of 6.1 cents per share."

Ambition

Auckland Airport's acting chief executive, Simon Robertson, said, "Auckland Airport has attained good altitude in the past year, but we cannot risk placing the business in a holding pattern. If we do not remain relentlessly ambitious about growth, we are

likely to lose ground against the offshore destinations and airports we regard as New Zealand's natural competition.

"We have set ourselves some long-term ambitious targets to grow international visitor volumes and value. As one of the industry leaders, we must play our part in promoting New Zealand around the world as a travel, trade and tourism destination. We are also focused on building stronger alignment with other industry stakeholders to open more channels and grow markets.

"We will keep working with our airline customers to attract more flights, preferably direct, on new and existing routes from key source travel markets around the world, and by working with the industry to draw a more valuable mix of visitor segments.

"This is all outlined in our programme called Ambition 2020, unveiled at the TRENZ national tourism conference in May this year. Ambition 2020 sets a challenge for the industry of a decade of growth ambitions for New Zealand visitor arrivals and visitor spend. It is underpinned by a programme of strategic activity, with a particular focus on the growth markets of Asia, Americas and Australia.

"The prize is significant. We believe there is potential to grow total international visitor arrivals for the country to 3.5 million by 2020, up from 2.6 million in 2011. More importantly, the value generated by these visitors could grow ahead of official estimates, to at least \$8.5 billion (\$5.8 billion in 2011).

"We have applied this Ambition 2020 challenge to ourselves as well - It is our call to drive higher business outcomes, improved quality, greater efficiency, and more innovation across our entire business."

Results in more detail

The profit result has been achieved through a 7.3% increase in total income to \$426.813 million. This reflects growth across most revenue sectors, including aeronautical, retail, rental, and car parking.

Operating costs increased by 8.1% to \$107.524 million, largely as a result of additional staffing costs, an increase in maintenance and airport operation costs, particularly for the Rugby World Cup 2011, and increased rates and insurance costs.

Reflecting the continued growth momentum and the sustained improvement in performance, total dividends paid for the 2012 financial year are being increased from 8.7 to 10.5 cents per share.

Associated businesses continued to deliver, with good growth in revenue and operating EBITDAFI at Cairns and Mackay Airports up 17.8% to AU\$70.087million, and an increase in the dividend paid to Auckland Airport from AU\$6.751 million to AU\$10.311 million.

Queenstown Airport also maintained its strong passenger growth momentum and excellent financial performance, with operating EBITDA up 16.7% to \$11.529 million.

With the Novotel Auckland Airport hotel completing its first full year of trading, Auckland Airport recorded a share of profit of \$2.088 million from its 20% investment in the joint venture, which is operating and trading ahead of expectations.

Mr Robertson said, “Our investment in air-service and market development has also continued to bear fruit during the year, with a number of successes in developing new or expanding existing services to markets in China, Australia, Taiwan, Indonesia, Japan and the United States.”

Other business

Mr Robertson said, “A new five-year aeronautical pricing schedule for Auckland Airport was published in early June 2012 following a full and constructive consultation with airline customers. The new schedule features a reduction in average charges per international passenger in the first year, with subsequent increases broadly in line with the expected rate of inflation.

“This reduction in international charges is the first for Auckland Airport since becoming a listed company, and shows how our focus on developing new air-services is benefiting travellers through lower prices. By increasing the number of passengers passing through Auckland Airport, and by keeping a tight hold on our expenditure and driving operational efficiencies, we are now able to spread airport costs over a larger base, and reduce international charges on a per passenger basis.

“An increase in domestic charges largely reflects the need to invest in high priority modifications over the next 18 months to expand the capacity of the domestic terminal in the shorter-term, so that it can cope with the increasing size of aircraft being used on main domestic routes.

“We are continuing consultation with airlines on development of a new terminal to replace the existing domestic terminal. The new terminal will be a key part of Auckland Airport, the domestic travel experience, and New Zealand’s tourism and trade infrastructure for many years to come, so we firmly believe it’s worth spending a bit more time now getting the plans right. It remains our intention to have the first stage of a new terminal facility operational in time to accommodate the projected growth in domestic passenger demand and the introduction of new larger domestic aircraft.

“The very long-term realities of airport planning and development mean we must continue to hold land for future airport expansion for extended periods of time. However, the current regulatory framework does not consider it acceptable for airports to reflect the holding costs for such land assets in their charges to airlines, meaning that in many cases this land generates no return to airport shareholders until such time as it becomes operational.

“As New Zealand’s foremost airport, which represents a vital part of the country’s transport, tourism and trade infrastructure, we must ensure we have the capacity to cater for the needs of future generations by retaining this land. This is a national responsibility we cannot, and do not, wish to avoid, but current regulatory settings mean our shareholders are bearing the cost associated with safeguarding future New Zealand aviation capacity.”

Looking ahead

Mrs Withers said, “Replacing Simon Moutter is a key decision to be made by the Board this financial year. Simon left Auckland Airport in early August 2012 to take up the role of chief executive of Telecom. That recruitment process, at the time of writing, is well underway and should be announced within a few months. One thing that the Board is clear about is that whoever is appointed will inherit a sound strategic foundation, and a stable and high-performing leadership team.

“In his four years with the business, Simon has built a top team, refocused the business to customer experience, set a strategically sound and ambitious pathway for growth, opened up more access to a number of key tourism and trade markets, and delivered outstanding results for Auckland Airport and for New Zealand. He departs with our best wishes and our confidence that his good work will continue.”

Mr Robertson said, “2013 is an important time for Auckland Airport. We intend to confirm, alongside our airline partners, a clear pathway for finalising our master plan for airfield, terminal and property development in order to uncap long-term visitor growth potential.

“Auckland Airport's goal is to enhance our economic contribution as much as possible and to unlock any constraints. With that in mind, we are taking steps to increase productivity, by investing in smart airport infrastructure, in air-service capacity development and, in conjunction with our key stakeholders, initiating and promoting programmes to attract more tourists and trade to New Zealand. We will keep looking for ways to tap into new growth opportunities. We will keep exploring new partnerships, business extensions, information sources and technologies as a means of increasing New Zealand's share of growth from these expanding markets.”

The board is optimistic about the full 2013 financial year and expects net profit after tax (excluding any fair value changes and other one-off items) to be between \$143.0 million to \$150.0 million. We note with some caution any potential long-term implications from the prevailing volatility in global economies. As always therefore, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances.

Ends

For further information, please contact:

Simon Robertson

Acting chief executive

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Richard Llewellyn

Corporate relations manager

+64 9 255 9089

+64 27 477 6120

Refer pdf attachments: Financial Report / Results at a Glance / Company Report /
NZX Appendix 1 / PowerPoint presentation

Appendix 4E

Preliminary final report

Name of entity: **Auckland International Airport Limited**

Financial year ended: **30 June 2012**

Results for announcement to the market

(This report is based on audited accounts)

	Up/down	\$NZ'000
Sales revenue from ordinary activities	up 7.3% to	426,813
Profit from ordinary activities after tax attributable to members	up 41.2% to	142,284
Net profit for the period attributable to members	up 41.2% to	142,284

For the year ended 30 June 2012 after adjustments in the changes in the fair value of the company's and the associate's investment properties (gain of \$4.743m), derivative fair value change (loss of \$2.466m) and associated tax affects for these adjustments (\$0.982m), underlying net profit is \$139.025m. For the year ended 30 June 2011, after adjustments in the changes in the fair value of the company's and the associate's investment properties (gain of \$25.979m), an adjustment for the component of changes in the fair value of property, plant and equipment with an impact in the income statement (decrease of \$63.465m), gain on sale of associate (\$1.240m), derivative fair value change (gain of \$3.503m) and associated tax affects for these adjustments (\$12.634m), underlying net profit is \$120.870m. The change in underlying profitability for the year ended 30 June 2012 compared to 2011 is an increase of 15.0%.

Amount per security

	Amount per security \$NZ	Franked amount per security \$NZ
Final dividend		
Current period	0.061	0.023722
Previous corresponding period	0.047	0.020143
Interim dividend		
Current period	0.044	0.017111
Previous corresponding period	0.040	0.017143

Record date for determining entitlements to the dividend:

05 October 2012

	30 June 12 \$NZ	30 June 11 \$NZ
Earnings per share	0.1075	0.0765
Net Tangible Assets per share	1.87	1.87

Comments

Media Release | 30 August 2012

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NZX Appendix 1 / PowerPoint presentation

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10. For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant details on additional pages)

Full name of issuer **AUCKLAND INTERNATIONAL AIRPORT LIMITED**

Name of officer authorised to make this notice **SIMON ROBERTSON** Authority for event, e.g. Directors' resolution **DIRECTORS' RESOLUTION**

Contact phone number **09 - 255 9174** Contact fax number **09 - 256 8868** Date **29 / 08 / 2012**

Nature of event
Tick as appropriate
 Bonus Issue / If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable
 Rights Issue non-renounceable Capital change Call Dividend If ticked, state whether: Interim Full Year Special DRP Applies

EXISTING securities affected by this *If more than one security is affected by the event, use a separate form.*
 Description of the class of securities **ORDINARY SHARES** ISIN **NZAIA E0001S8**
If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class.*
 Description of the class of securities ISIN
If unknown, contact NZX
 Number of Securities to be issued following event Minimum Entitlement Ratio, e.g. ① for ② for
 Conversion, Maturity, Call Payable or Exercise Date Enter N/A if not applicable
 Treatment of Fractions
 Strike price per security for any issue in lieu or date Strike Price available. Tick if *pari passu* OR provide an explanation of the ranking

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*
In dollars and cents
 Amount per security (does not include any excluded income) **\$0.061** Source of Payment
 Excluded income per security (only applicable to listed PIEs)
 Currency **NZD** Supplementary dividend details - NZSX Listing Rule 7.12.7 Amount per security in dollars and cents **\$0.010765**
 Total monies **\$80,676,434** Date Payable **19 October, 2012**

Taxation *Amount per Security in Dollars and cents to six decimal places*
 In the case of a taxable bonus issue state strike price \$
 Resident Withholding Tax **\$0.004236** Imputation Credits (Give details) **\$0.023722**
 Foreign Withholding Tax \$ FDP Credits (Give details)

Timing (Refer Appendix 8 in the NZSX Listing Rules)
Record Date 5pm For calculation of entitlements - **5 October, 2012**
Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **19 October, 2012**
Notice Date Entitlement letters, call notices, conversion notices mailed
Allotment Date For the issue of new securities. Must be within 5 business days of application closing date.

OFFICE USE ONLY
 Ex Date:
 Commence Quoting Rights:
 Cease Quoting Rights 5pm:
 Commence Quoting New Securities:
 Cease Quoting Old Security 5pm:

Security Code:
 Security Code:

