

Wider Ambition



GO

We are ready
for ambitious
tourism and
trade growth

We've planned
for New Zealand's
aviation and
travel future

We've invested
in making
journeys better
for everyone

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Online Review

View our interactive review at aucklandairport.co.nz/report which has been designed for ease of online use, with tablets in mind, and includes additional content.



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 deliver 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.

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.

The Board is optimistic about the 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 do note with some caution any potential long-term implications of the prevailing volatility in global economies. Therefore, as always, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances.



Joan Withers
CHAIR



Simon Robertson
ACTING CHIEF EXECUTIVE

↑
41.2%

PROFIT RESULT

TOTAL PROFIT INCREASED
BY 41.2% TO \$142.284 MILLION.
UNDERLYING PROFIT AFTER
TAXATION WAS UP 15.0%
TO \$139.025 MILLION



FROM LEFT

Joan Withers
CHAIR

Simon Robertson
ACTING CHIEF EXECUTIVE



High Performance

PASSENGER NUMBERS

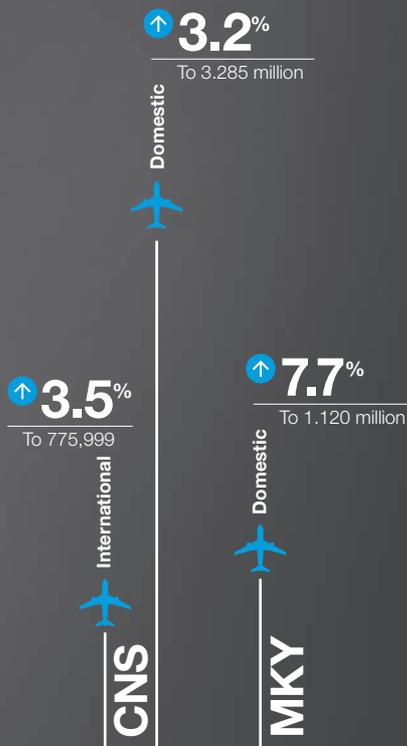


Vital Volumes

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.



STRATEGIC THEMES

6

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.

Our Strategy

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 being 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).

- 1 | **Volume**
- 2 | **Yield**
- 3 | **Smart**
- 4 | **Relationships**
- 5 | **Partnerships**
- 6 | **Leadership**

High Performance

CONTINUED

AUCKLAND AIRPORT & NZ GOVERNMENT

GOVERNMENT SUPPORT HAS HELPED TO SEAL THE DEAL ON AIR-SERVICE WINS SUCH AS CHINA SOUTHERN AIRLINES



**Best Airport in
Australia/Pacific
for the 4th year
in a row**

Operational Excellence

Over the last year, we have continued to sharpen our customer service. Alongside 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 and 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.

Synergistic Partnerships

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.

“

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.

”

We also have an important and positive relationship with Auckland Council. The Council 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 of planners over time allowing their city to enclose their airports and constrain their capacity for future growth.

This approach is forcing such 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.



RWC 2011

THE TEAM ARRIVALS INTO NEW ZEALAND HELPED KICK-START A GREAT TOURNAMENT

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. ●

Adrian Littlewood

General Manager
Retail & Commercial

Adrian is responsible for the commercial environment and provision of products, services and choices for the millions of passengers who travel through Auckland Airport. He is responsible for all of our car-parking and retail businesses, including duty free, specialty retail and food & beverage.

Adrian is also responsible for passenger experience, brand and marketing activities. He joined us in February 2009 from Telecom, where his most recent role was in the mass-market retail business. Adrian has proven strategic marketing skills and wide commercial experience.



Ambition

Relentlessly ambitious

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 ambitious long-term 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.

Ambition 2020 – A programme for New Zealand tourism

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 for the New Zealand economy 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 products and effective channels to market. As a small country with a small share of marketing voice, it is hard to position a quality product through highly fragmented sales channels in a very crowded market like Asia.

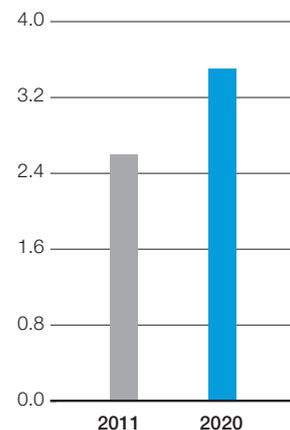
Future success requires the collective visitor industry to work together so we can all better understand changing global markets, gain stronger insights into the expectations of the next generation of visitors, and develop the services and products to match. Success will also depend on industry working 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.

Simon Robertson Acting Chief Executive

Simon commenced as the Auckland Airport chief financial officer in August 2009 and is the acting chief executive. He is responsible for managing our corporate strategy and financial affairs, and as the acting chief executive, for the direction and execution of strategy. Simon joined us in early 2005 and has held a number of senior financial

and aeronautical roles in his time with Auckland Airport. Simon has experience in senior financial roles in the manufacturing, entertainment and marine sectors, with strong financial, treasury and strategic expertise. Simon holds a Bachelor of Commerce from Auckland University and is a Chartered Accountant.

International Visitors (millions)
– Ambition 2020 projection for New Zealand





\$8.5b

POTENTIAL VALUE TO NEW ZEALAND

GENERATED BY INCREASED VISITORS
COULD GROW AHEAD OF OFFICIAL
ESTIMATES, TO AT LEAST \$8.5 BILLION
(FROM \$5.8 BILLION IN 2011)

Applying Ambition 2020 to ourselves

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 is our call to drive higher business outcomes, improved quality, greater efficiency, and more innovation across our entire business.

”

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% 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.

We've already started

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. ●

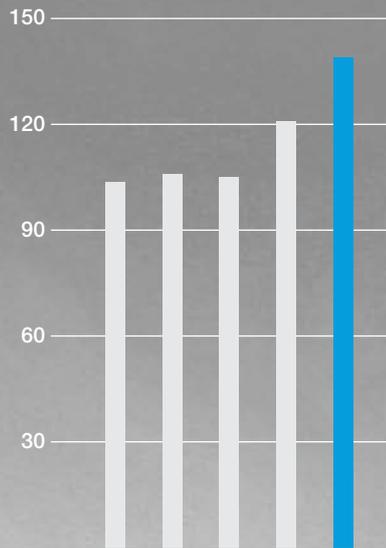
Results in detail

Fuelling the engine

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.

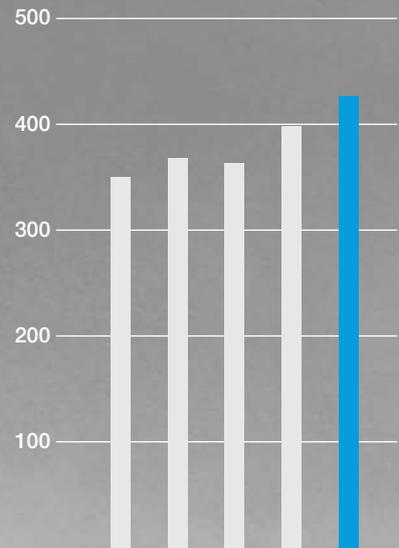
Underlying profit

\$139.025 million
up 15.0%



Revenue

\$426.813 million
up 7.3%



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.

7.3% ↑

Increase in total income to \$426.813 million

The profit result has been achieved through a 7.3% increase in total income to \$426.813 million. This reflects growth across all 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 EBITDAF 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.

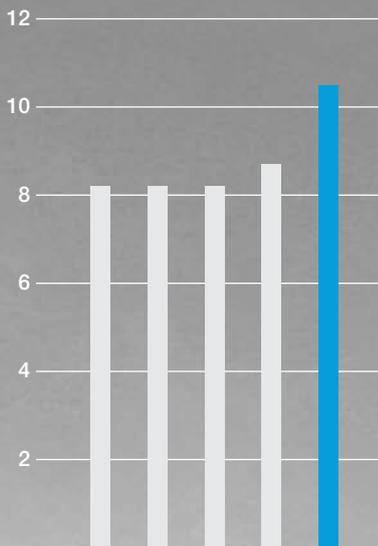
17.8% ↑

Increase in operating EBITDAF at Cairns & Mackay Airports to AU\$70.087 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 12 October, and China Southern announcing a three times per week seasonal Guangzhou-Brisbane-Cairns-Guangzhou service from 18 December. These successes help position Cairns well for the future.

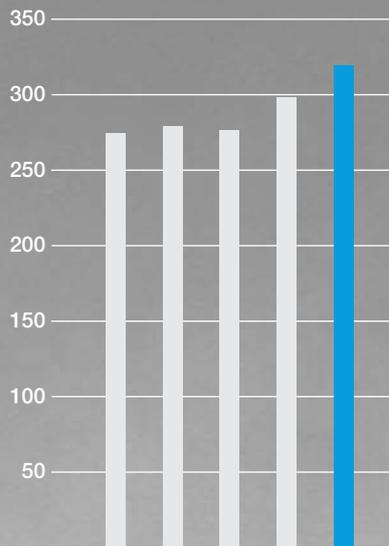
Dividends

\$10.50 cents
up 20.7%



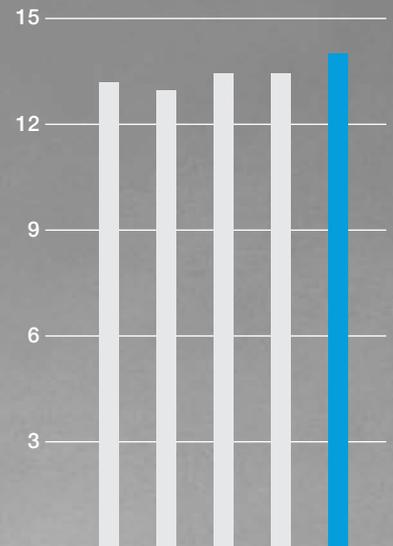
Operating EBITDAFI

\$319.289 million
up 7.1%



Passenger movements

14.006 million
up 4.37%



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 that 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.

2.088m^{\$}

Profit from 20% share in Novotel Auckland Airport hotel

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.

“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.”

16.7% ↑

Increase in operating EBITDA at Queenstown Airport to \$11.529 million



Investing in the future

Judy is responsible for the operations of New Zealand's largest airport. The aeronautical division provides operational excellence by working with airlines and agencies to deliver a quality experience for all visitors and passengers travelling to and from New Zealand through Auckland Airport. The airport is a complex operational environment

and Judy has general management leadership of all commercial leasing, facilities management, operational processing, policy and compliance matters that sit within the operational core of the business. Judy also has responsibility for strategic HR leadership within the airport and manages both the operational and human resource divisions.

Judy Nicholl

General Manager
Aeronautical Operations



NEW PRICING

A 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



New aeronautical pricing schedule

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.

New 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.

New regulatory regime

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 do 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.

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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.

”

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

Glenn is responsible for the sustainable growth of the vital air-services that fuel New Zealand tourism and trade. He works on developing and growing new and existing commercial relationships with airline, trade and tourism customers, covering both passenger and freight activities.

Glenn joined us in January 2009. Prior to that he was CEO of Southern Hemisphere Proving Grounds and Mitre Peak Cruises, he has previously worked with Infratil Airports in Europe and Christchurch International Airport.

Glenn Wedlock

General Manager
Aeronautical Commercial



Investing in the future

CONTINUED

NOVOTEL

A VERY POSITIVE FIRST YEAR OF TRADING FOR THE NEW NOVOTEL AUCKLAND AIRPORT



Peter is responsible for the transformation of the Auckland Airport Business District from a transport hub to a vibrant business destination. He looks after our property team, driving new property development projects and managing completed property investment assets.

Peter joined us in 2008, and has over 20 years' experience in investment management including property investment and development in both New Zealand and overseas.

Peter Alexander

General Manager
Property



ABBEVILLE ESTATE

A HERITAGE FUNCTION CENTRE SET IN A LUSH, LANDSCAPED COUNTRY SETTING WITH VIEWS ACROSS FIELDS AND BEAUTIFUL GARDENS



VERSATILE

AN IDEAL PLACE TO HOST WEDDINGS, CORPORATE FUNCTIONS, SALES CONFERENCES, PRODUCT LAUNCHES, CELEBRATIONS AND TEAM BUILDING EVENTS



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 Abberville Estate, 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 a high-quality office building, that now houses 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. Abberville Estate is set in a lush, landscaped country setting with views across fields and beautiful 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.

A WIDE RANGE

NEW ZEALAND BRANDS INCLUDE BENNETTS CHOCOLATE, AND THE FIRST NEW ZEALAND RETAIL SPACE FOR THE RENOWNED FRAGRANCE AND BODY CARE BRAND ECOYA



Retail environment

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 last 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. ●

“ Our retail environment reflects a mix of quality international and New Zealand brands, from luxury to boutique. ”

↑
8.7%

INCREASE

IN TOTAL RETAIL REVENUE ON LAST YEAR



The Board

Leadership will be a key factor in both our own organisational performance and in the success of New Zealand travel, tourism and trade.



FROM LEFT

Justine Smyth
DIRECTOR

James Miller
DIRECTOR

Sir Henry van der Heyden
DIRECTOR

Richard Didsbury
DIRECTOR

Joan Withers
CHAIR

John Brabazon
DIRECTOR

Brett Godfrey
DIRECTOR

Keith Turner
DEPUTY CHAIR



Board Profiles



Joan Withers (CHAIR)

MBA, AFInstD

Joan Withers was appointed a director of the company in 1997 and became chair on 28 October 2010. She has spent over 25 years working in the media industry holding CEO positions in both newspaper and radio, and has been a professional director for 15 years. In July 2005, Joan became chief executive officer of Fairfax New Zealand Limited, New Zealand's largest media company, a role from which she retired on 30 June 2009. She is also chair of Mighty River Power Limited, deputy chair of TVNZ Limited, a member of the Treasury Advisory Board and a trustee of the Tindall Foundation and the Louise Perkins Foundation.



Keith Turner (DEPUTY CHAIR)

BE Hons, ME, PhD, FIEE, FIPENZ, FNZIM

Keith Turner was appointed a director of the company in 2004. He has 39 years' experience in the New Zealand electricity industry, the last 21 years of which have been spent in senior executive positions. Keith has participated in widespread reform of the industry, both in industry review teams and acting for the Government on a range of industry boards. In 1999, he took up the position of chief executive of Meridian Energy following the breakup of ECNZ, a role he retired from on 31 March 2008. He has an extensive track record in creating value from infrastructure with a particular focus on identifying market opportunities, strategic analysis, large capital project development and execution, organisation culture and large scale operations. Keith now holds a number of small and large board positions, and undertakes executive coaching and international consulting activities.



John Brabazon

BCom (Auck) ACA, AFInstD, F FIN

John Brabazon was appointed a director of the company in 2007. He is an executive director of merchant bankers Clavell Capital Limited and has over 26 years' experience in the capital markets. John is also the president of Kern River Oil Corporation in the USA. His former directorships include 13 years in aggregate spent on the board of seven companies with total assets exceeding NZ\$1.7 billion. He is a member of the New Zealand Institute of Chartered Accountants, an Accredited Fellow of the Institute of Directors in New Zealand (Inc), and a Fellow of the Financial Services Institute of Australasia.



Richard Didsbury

BE (Auck)

Richard Didsbury was appointed a director of the company in November 2007. He graduated in Engineering from The University of Auckland. In 1992, Richard was a co-founder of the Kiwi Income Property Trust (KIPT), which is now the largest property vehicle listed on the NZX, and he remains a director of that company. Within KIPT Richard led the Sylvia Park project team which successfully completed New Zealand's biggest retail development. He is a director of the Hobsonville Land Company, which is developing a major new waterfront community in north-west Auckland, and a Director of Skycity Entertainment Group Ltd. He is passionate about Auckland and is Chairperson of The Committee of Auckland. Richard offers complementary skills to the board of Auckland Airport, particularly his extensive property development expertise which, together with his experience of transportation issues gained during his time on the board of Infrastructure Auckland, continues to be of value to the company as it deals with the future issues of land access to and from Mangere.



Brett Godfrey

BCom, ACA

Brett Godfrey was appointed a director of the company in 2010. He is a Chartered Accountant and has had a 20 year career in airlines, holding senior finance positions and culminating in conceptualising and writing the business plan for what is now Virgin Australia Ltd. He was the airline's founding Chief Executive and implemented his vision in August 2000. When he stepped down more than a decade later, Virgin was Australia's second largest carrier, with around 7,000 staff, flying nearly 20 million 'guests' and with turnover exceeding AUD \$3 billion annually. Today he maintains his connection to the industry as a Board Director of Canada's publicly listed second largest airline, Westjet. His keen interest and experience in marketing is channelled into his position on the Board of Tourism Australia. He has been awarded the Australian Centenary Medal for his service to tourism and aviation, was recognised as the Australian Chief Executive of the Year by the Customer Service Institute of Australia, and the Outstanding Chartered Accountant in Business, by the Australian Institute of Chartered Accountants.



Sir Henry van der Heyden

KNZM, BE (Hons)

Sir Henry van der Heyden was appointed a director of Auckland Airport in September 2009. He has been chair of Fonterra Co-operative Group since September 2002. As a founding director of the Co-operative, Sir Henry has contributed to industry governance for nearly 20 years, both as a director and chairman. This included leading New Zealand Dairy Group through the process which ultimately saw Fonterra formed in 2001 and subsequent innovations in governance such as the formation of a shareholders' council. Awarded New Zealand Herald Business Person of the Year in 2007, he was honoured with a Distinguished Companion of the New Zealand Order of Merit in 2009 in recognition of his extensive services to agriculture. In addition to directing family interests in dairy farming in the Waikato and Chile, Sir Henry is a director of Elevation Capital, Manuka SA, Pascaro Investments, Rabobank NZ, Rabobank Australia and Tainui Group Holdings. Sir Henry is a member of NZ International Business Forum and Director Remuneration Committee, Zespri International.



Justine Smyth

BCom, CA

Justine Smyth was appointed a director of Auckland Airport in July 2012. 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 was until recently deputy chair of New Zealand Post Ltd and chair of their finance, audit, investment and risk committee. Justine's background also includes having been Group Finance Director of Lion Nathan Limited and a partner of Deloitte. Justine is also an owner and executive director of a clothing manufacture and wholesale business. Through her roles, Justine has strong experience in retail, governance, mergers & acquisitions, taxation and financial performance of large corporate enterprises and the acquisition, ownership, management and sale of small and medium enterprises.



James Miller

BCom, FCA, AMInstD

James Miller was appointed to the Auckland Airport board in September 2009. He has spent 14 years working in the share broking industry. During this time, James has specialised in the strategy and valuation of airport and utility companies. Specifically, he had a leading role in the valuation and global pre-marketing of Auckland International Airport, Beijing Capital International Airport, Contact Energy and Vector initial public offers. James is a qualified chartered accountant and is a Fellow of the Institute of Chartered Accountants of New Zealand, a Certified Securities Analyst Professional, a member of the Institute of Directors and is a graduate of the Advanced Management Program, Harvard Business School (USA). He was previously on the ABN AMRO Securities Board, INFINZ Board and the Financial Reporting Standards Board. James is a member of the Financial Markets Authority and a director of Mighty River Power and the New Zealand Stock Exchange. He is also chair of listed investment companies Barramundi Limited, Kingfish Limited and Marlin Global Limited.

Leadership

96.4%

AVERAGE OF DEPARTING PASSENGERS

PROCESSED UNDER 12 MINUTES, COMPARES WELL WITH ANY AIRPORT GLOBALLY

EMPEROR LOUNGE

OPENED IN LATE 2011, COMPLEMENTING A NUMBER OF EXISTING AIRLINE OPERATED LOUNGES, PROVIDING GREATER CHOICE FOR PARTNER AIRLINES AND FOR PASSENGERS



Setting the tourism and trade growth agenda

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

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 to 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 and technology

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 in under 25 minutes, and an average of 96.4% of departing passengers were processed in 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, which opened in late 2011, complementing a number of existing airline operated lounges and providing greater choice for partner airlines and passengers.

Our corporate responsibilities

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 Pier B 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 the Trust's formation in 2003.



“
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.
”

LLOYD MORRISON
1957–2012

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 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. The Board believes Justine's 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 general meeting to be held on 24 October 2012 at the TelstraClear Pacific Events Centre.

CEO transition

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 details of the new CEO 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. ●

Our senior legal adviser and corporate secretary, and the general manager corporate affairs, Charles leads the development and sustainability of positive, constructive and influential relations with the significant numbers of key stakeholders who engage with Auckland Airport.

He is responsible for corporate communications, public affairs, governance, government relations, share registry, risk management, and insurance. Before joining us in 2002, Charles practised law at Russell McVeagh. He is a Fellow of the Institute of Chartered Secretaries.

Charles Spillane

General Manager
Corporate Affairs



Horizons

Looking ahead to 2013

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 eventual delivery of a 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 gain a bit more time to ensure the delivery of 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 only one example of the applications and benefits. We believe this trend will only accelerate.

Long-term momentum

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 become 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 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.

”

“

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.

”

Earnings guidance

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 of the prevailing volatility in global economies. Therefore, as always, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances. ●



Adam Tyrie

General Manager
Master-planning &
Terminal Development

Adam is responsible for major airport terminal and infrastructure development along with the master-planning process that will drive planning and asset investment at Auckland Airport for the next few decades. Adam joined us in 2004 and has held several roles, all of them associated with the construction and development of Auckland Airport. Prior to joining us Adam worked in the construction industry in both the UK and New Zealand. Adam has a Bachelor of Engineering in Civil Engineering and is a Chartered Engineer.

Financials

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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 strive to achieve the long term aspirations that form our Ambition 2020 goals.

The delivery of business strategies against the strategic themes has 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 the 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 last 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.

6

STRATEGIC
THEMES

- 1 | **Volume** Grow the travel, trade and tourism markets
- 2 | **Yield** Grow our retail and property business
- 3 | **Smart** Deliver a smarter airport
- 4 | **Relationships** Build relationships that work for everyone
- 5 | **Partnerships** Partner to achieve superior growth
- 6 | **Leadership** Leadership that makes a difference

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 \$m | 2011 \$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 | 40.7 |
| 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 |

Key financial results and performance indicators **CONTINUED**

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 including rates recoveries, 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%.

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. Complying with accounting standards means 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:

| | 2012 | | | 2011 | | |
|----------------------------------------------------|---------------------------|---------------------|-----------------------------|---------------------------|---------------------|-----------------------------|
| | Reported earnings \$000's | Adjustments \$000's | Underlying earnings \$000's | Reported earnings \$000's | Adjustments \$000's | Underlying earnings \$000's |
| PROFIT AFTER TAX | | | | | | |
| 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 a period 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, are 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.

Underlying profit as a consistent measure of financial performance and success **CONTINUED**

- 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 increases 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 excluded from underlying profit.
- In the 2011 financial year, the company sold its' interest in 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 |

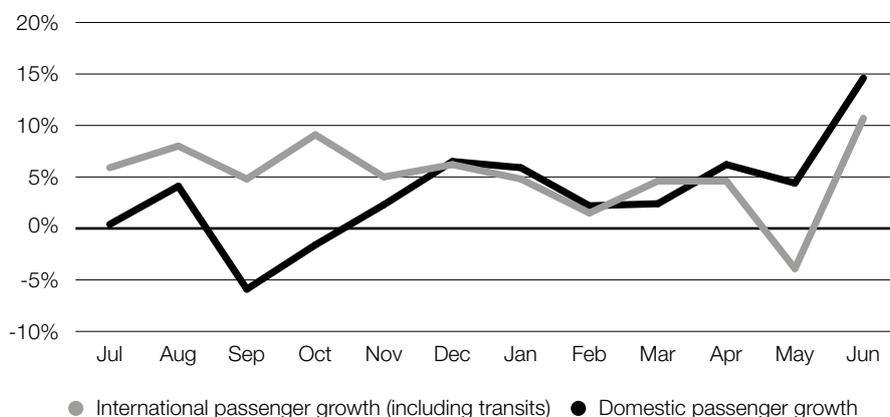
There is a restatement of international transit passenger numbers in the 2011 financial year. The source of this data is Immigration New Zealand who refined their methodology in November 2011.

In 2012, Auckland Airport processed over 14 million passengers – a milestone for the airport and a 4.3 percent passenger growth on last year, including 5.1 percent increase in international passengers (including transits). Some of this increase can be attributed to adverse events in 2011 including the Christchurch earthquakes, 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 its 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 with 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 last financial year, with increased capacity taken up by Air New Zealand and a new Auckland to Dunedin service added by Jetstar 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. This resulted 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 Asian 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. This campaign led by Auckland Airport has 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 | 46.2 | 1,589,069 | 46.9 | 3.5 |
| Australia | 715,115 | 20.1 | 649,017 | 19.2 | 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 | 4.6 | (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 | 361,677 | 10.1 | 353,365 | 10.4 | 2.4 |
| Total Arrivals | 3,562,725 | 100.0 | 3,386,471 | 100.0 | 5.2 |

SOURCE: STATISTICS NEW ZEALAND

Overseas visitor arrivals by purpose of visit

The most common 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 | % 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 by 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 as a result of up-gauging of aircraft to Japan

and increasing the frequency of flights to China. 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 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 FY12, an increase of \$29.090 million (7.3 percent) over FY11.

| | 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

In 2012, the passenger services charge (PSC) was levied on airlines for departing and arriving international passengers 12 years old and over (excluding transits), providing 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

Financial performance **CONTINUED****RETAIL INCOME**

The Company earns concession revenue from retailers within the domestic and international terminals, 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 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, 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

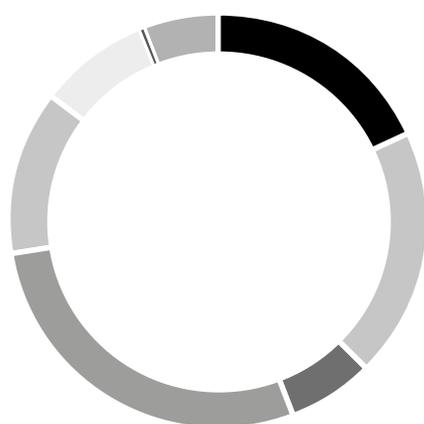
capital expenditure on investment properties in the last few years, rental income is showing a return on these investments including new rental income from NZ Food and Innovation, DSV Sea and Air, Mercedes Benz, AVSEC, Travel Careers and Training and the Novotel ground lease. New leases and positive rent reviews on existing property also contribute 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 licence fees, and in 2012 included revenue from the 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 the Formule 1 hotel operation.

2012 income by source

| | |
|---|---------------------------|
| ● | Airfield income |
| ● | Passenger Services Charge |
| ● | Terminal services charge |
| ● | Retail income |
| ● | Rental income |
| ● | Car park income |
| ● | Interest income |
| ● | Other income |

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 |

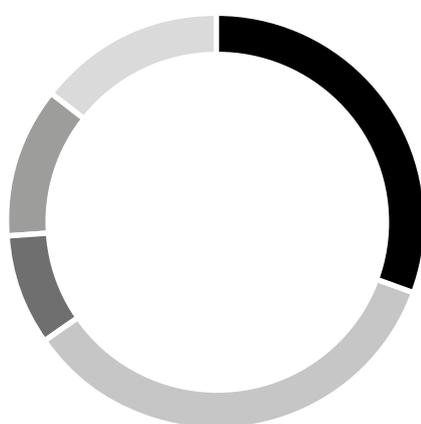
The increase in staff costs is reflective of the average increase in employee remuneration in line with inflation and market adjustments, a small increase in the number of permanent employees, new staff costs relating to the Formule 1 hotel operations as well as additional casual staff brought on during 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 for 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 an increase in insurance premiums from the prior year in light of the recent natural disasters in New Zealand 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



| | |
|---|------------------------------------------------------|
| ● | Staff |
| ● | Asset management, maintenance and airport operations |
| ● | Rates and insurance |
| ● | Marketing and promotions |
| ● | Other |

Expenses CONTINUED

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 and the abolishment of tax depreciation on building structure, offset by the decrease in the corporate tax rate to 28 percent.

SHARE OF PROFIT OF ASSOCIATES

Total share of profit from associates in 2012 totalled \$9.240 million comprising North Queensland Airports (NQA) (\$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 a significant increase in the net profit of NQA.

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 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 EBITDAF of AU\$10.602 million (17.8 percent). This growth in Operating EBITDAF 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 a 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).

NQA Performance Measures

| | 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 EBITDAF | 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 has continued

to increase its 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.

Queenstown Airport Performance Measures

| | 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%.

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 (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, thereby 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 Office, 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 office building, 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 function 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 taxiway 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.

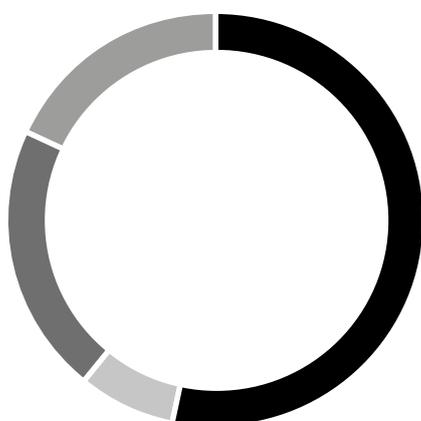
As at 30 June 2012, the Company's total borrowings were \$1,108.730 million, an increase of \$24.084 million (2.2 percent) over 2011 as a result of fair valuation on bonds and USPP borrowings, slightly offset by a net decrease in borrowings of \$10.846 million. The company's borrowings include commercial 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 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.

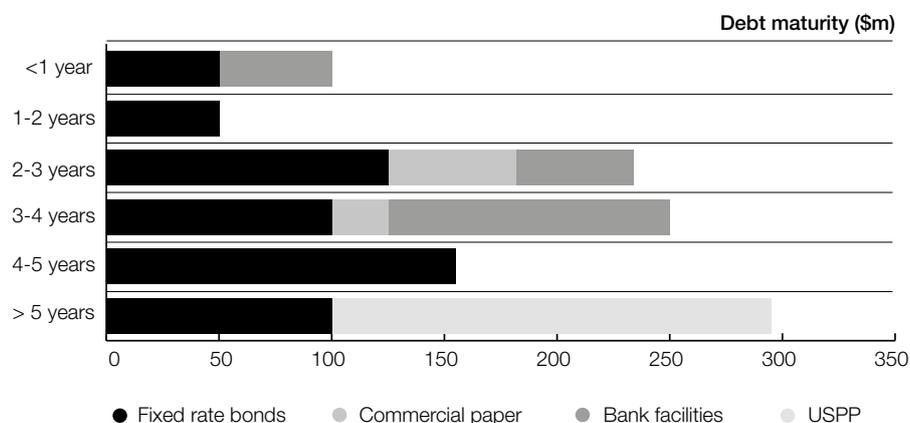
The undrawn portions of the standby and multi-currency bank facilities both support the commercial paper programme (current balance of \$81.800 million as at 30 June 2012) through the availability of same day drawdowns and provide liquidity support for general working capital. Hence the debt maturity profile chart as at 30 June 2012 shown on the following page includes commercial paper in the 2-3 and 3-4 year brackets, matching the maturities of the supporting facilities.

Borrowings by category



- Fixed rate bonds
- Commercial paper
- Bank facilities
- USPP

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 time to maturity of drawn debt as at 30 June 2012 is 4.46 years.

Measures have been adopted which have diversified 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 equity 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.

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 47 TO 100 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

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 |

THE NOTES AND ACCOUNTING POLICIES ON PAGES 47 TO 100 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2012

| GROUP | NOTES | Issued and paid-up capital \$000 | Cancelled share reserve \$000 | Property, plant and equipment revaluation reserve \$000 | Share-based payments reserve \$000 | Cash flow hedge reserve \$000 | Share of reserves of associates \$000 | Foreign currency translation reserve \$000 | Retained earnings \$000 | Total \$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 paid-up capital \$000 | Cancelled share reserve \$000 | Property, plant and equipment revaluation reserve \$000 | Share-based payments reserve \$000 | Cash flow hedge reserve \$000 | Share of reserves of associates \$000 | Foreign currency translation reserve \$000 | Retained earnings \$000 | Total \$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 47 TO 100 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

| PARENT | NOTES | Issued and paid-up capital \$000 | Cancelled share reserve \$000 | Property, plant and equipment revaluation reserve \$000 | Share-based payments reserve \$000 | Cash flow hedge reserve \$000 | Retained earnings \$000 | Total \$000 |
|------------------------------------------|-------|-------------------------------------|----------------------------------|------------------------------------------------------------|---------------------------------------|----------------------------------|----------------------------|----------------|
| At 1 July 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 paid-up capital \$000 | Cancelled share reserve \$000 | Property, plant and equipment revaluation reserve \$000 | Share-based payments reserve \$000 | Cash flow hedge reserve \$000 | Retained earnings \$000 | Total \$000 |
|------------------------------------------|-------|-------------------------------------|----------------------------------|------------------------------------------------------------|---------------------------------------|----------------------------------|----------------------------|----------------|
| At 1 July 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 47 TO 100 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Statements of financial position

AS AT 30 JUNE 2012

| | NOTES | GROUP | | PARENT | |
|----------------------------------|-------|------------------|------------------|------------------|------------------|
| | | 2012 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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 47 TO 100 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

| | 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

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 |
| | | 430,093 | 395,023 | 430,093 | 395,221 |
| 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) |
| | | (233,368) | (220,082) | (233,129) | (220,152) |
| Net cash flow from operating activities | 19 | 196,725 | 174,941 | 196,964 | 175,069 |
| 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 | - | - |
| | | 14,308 | 17,610 | - | 8,954 |
| 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) |
| | | (84,642) | (99,890) | (69,208) | (91,330) |
| Net cash flow applied to investing activities | | (70,334) | (82,280) | (69,208) | (82,376) |
| 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 |
| | | 1,510,423 | 2,211,441 | 1,509,075 | 2,211,423 |
| 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) |
| | | (1,640,118) | (2,294,008) | (1,640,135) | (2,294,022) |
| Net cash flow applied to financing activities | | (129,695) | (82,567) | (131,060) | (82,599) |
| 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 | 42,842 | 46,146 | 42,842 | 46,146 |

THE NOTES AND ACCOUNTING POLICIES ON PAGES 47 TO 100 FORM PART OF AND ARE TO BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2012

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, Australia (NQA) as well as Queenstown Airport in New Zealand.

These financial statements were authorised for issue in accordance with a resolution of the directors on 29 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.

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 rebut 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 adopted the amendment early, however early application of this standard would have no impact on the financial statements.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies CONTINUED

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 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.

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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies CONTINUED

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.

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.

1 / 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.

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 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies CONTINUED

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.

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.

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.

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

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

3. Significant accounting judgements, estimates and assumptions CONTINUED

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.

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.

| 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).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

4. Segment information CONTINUED

| 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 |

f / Segment reconciliation of segment EBITDA to income statement:

| | GROUP | |
|--------------------------------------------------------------------|----------------|----------------|
| | 2012 \$000 | 2011 \$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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

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.

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) |

| | 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 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

6. Taxation CONTINUED

d / Deferred tax assets and liabilities

| | Balance 1 July 2011 \$000 | Movement in income \$000 | Movement in other comprehensive income \$000 | Balance 30 June 2012 \$000 |
|-----------------------------------|------------------------------------|--------------------------------|----------------------------------------------------------|-------------------------------------|
| Year ended 30 June 2012 | | | | |
| GROUP | | | | |
| Deferred tax liabilities | | | | |
| 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 |
| Deferred tax assets | | | | |
| 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 |

| | Balance 1 July 2010 \$000 | Movement in income \$000 | Movement in other comprehensive income \$000 | Balance 30 June 2011 \$000 |
|-----------------------------------|------------------------------------|--------------------------------|----------------------------------------------------------|-------------------------------------|
| Year ended 30 June 2011 | | | | |
| GROUP | | | | |
| Deferred tax liabilities | | | | |
| 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 |
| Deferred tax assets | | | | |
| 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 |
|-----------------------------------|------------------------------------|--------------------------------|----------------------------------------------------------|-------------------------------------|
| Year ended 30 June 2012 | | | | |
| PARENT | | | | |
| Deferred tax liabilities | | | | |
| 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 |
| Deferred tax assets | | | | |
| 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 |

| | Balance 1 July 2010 \$000 | Movement in income \$000 | Movement in other comprehensive income \$000 | Balance 30 June 2011 \$000 |
|-----------------------------------|------------------------------------|--------------------------------|----------------------------------------------------------|-------------------------------------|
| Year ended 30 June 2011 | | | | |
| PARENT | | | | |
| Deferred tax liabilities | | | | |
| 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 |
| Deferred tax assets | | | | |
| 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 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

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 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.

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 | - | - | - | - |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

8. Investment in associates CONTINUED

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) |

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

| | 2012 \$000 | 2011 \$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 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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 | - | - |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

8. Investment in associates CONTINUED

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\$27.500 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.

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 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

8. Investment in associates CONTINUED

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).

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).

11. Property, plant and equipment

a / Reconciliation of carrying amounts at the beginning and end of the year

| | GROUP AND PARENT | | | | | |
|-----------------------------------------|------------------|------------------------------------|-------------------------|--------------------------------------------|----------------------------------------------|------------------|
| | Land \$000 | Buildings and services \$000 | Infrastructure \$000 | Runway, taxiways and aprons \$000 | Vehicles, plant and equipment \$000 | Total \$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 | - | 29,754 | 10,652 | 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) | (3,952) | (132) | (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).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

11. Property, plant and equipment CONTINUED

| Year end 30 June 2011 | GROUP AND PARENT | | | | | Total \$000 |
|-----------------------------------------------|------------------|------------------------------------|-------------------------|--------------------------------------------|----------------------------------------------|------------------|
| | Land \$000 | Buildings and services \$000 | Infrastructure \$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 |

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.

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 Limited |
| Land associated with commercial property | Direct capitalisation of rental income and discounted cash flow | Colliers International Limited |
| Other land | Direct sales comparison | Colliers International Limited |
| Buildings and services | | |
| Specialised buildings and services including terminals | Optimised depreciated replacement cost | Opus International Consultants Limited |
| Car park buildings and other improvements | Optimised depreciated replacement cost | Opus International Consultants Limited |
| 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 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

11. Property, plant and equipment CONTINUED

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

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 | | | | | Total \$000 |
|-----------------------------------------------|-------------------------|------------------------------------|-------------------------|--------------------------------------------|----------------------------------------------|------------------|
| | Land \$000 | Buildings and services \$000 | Infrastructure \$000 | Runway, taxiways and aprons \$000 | Vehicles, plant and equipment \$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 30 June 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 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

12. Investment properties

| | GROUP AND PARENT | |
|-------------------------------------------------------------|------------------|----------------|
| | 2012 \$000 | 2011 \$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 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.

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 \$000 | 2011 \$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) |

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

| | GROUP AND PARENT | |
|--------------------------------------------------|------------------|----------------|
| | 2012 \$000 | 2011 \$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 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

14. Accounts receivable

| | GROUP | | PARENT | |
|----------------------------------------|---------------|---------------|---------------|---------------|
| | 2012 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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.

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 |

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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

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.

(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.

(vi) Foreign currency translation reserve

| | GROUP | | PARENT | |
|-----------------------------------------|---------------|---------------|---------------|---------------|
| | 2012 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

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 | 29/07/11 | Floating | - | 5,000 | - | 5,000 |
| Bonds | 29/07/11 | 6.83% | - | 70,203 | - | 70,203 |
| Bonds | 7/11/12 | 7.19% | 50,000 | - | 50,000 | - |
| Bank facility | 31/01/12 | Floating | - | 275,000 | - | 275,000 |
| Bank facility | 10/03/13 | Floating | 50,000 | - | 50,000 | - |
| Total short-term borrowings | | | 181,800 | 432,006 | 181,800 | 432,006 |
| Non-current | | | | | | |
| Bank Facility | 10/03/13 | Floating | - | 52,000 | - | 52,000 |
| Bank Facility | 31/01/15 | Floating | 51,053 | - | 51,053 | - |
| Bank Facility | 10/03/16 | Floating | 125,000 | - | 125,000 | - |
| Bonds | 7/11/12 | 7.19% | - | 50,000 | - | 50,000 |
| Bonds | 28/02/14 | 7.25% | 50,000 | 50,000 | 50,000 | 50,000 |
| Bonds | 27/11/14 | 7.00% | 128,447 | 127,964 | 128,447 | 127,964 |
| Bonds | 7/11/15 | 7.25% | 100,000 | 100,000 | 100,000 | 100,000 |
| Bonds | 10/08/16 | 8.00% | 27,522 | 26,473 | 27,522 | 26,473 |
| Bonds | 15/11/16 | 8.00% | 129,992 | 129,992 | 129,992 | 129,992 |
| Bonds | 17/10/17 | 5.47% | 102,409 | - | 102,409 | - |
| USPP notes | 15/02/21 | 4.42% | 69,975 | 60,643 | 69,975 | 60,643 |
| USPP notes | 12/07/21 | 4.67% | 70,997 | (4,996) | 70,997 | (4,996) |
| USPP notes | 15/02/23 | 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 |

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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

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).

| | GROUP | | | | Total \$000 |
|------------------------------------|-----------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------|
| | 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 | |
| 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 | | | | Total \$000 |
|------------------------------------|-----------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------|
| | 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 | |
| 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 | - | 694,492 |
| Total financial liabilities | - | 1,139,359 | 43,930 | - | 1,183,289 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

20. Financial instruments CONTINUED

| | PARENT | | | | | | Total \$000 |
|------------------------------------|-----------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------|------------------|
| | 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 | | |
| 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 | | | | | | Total \$000 |
|------------------------------------|-----------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------|------------------|
| | 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 | | |
| 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 | - | - | - | 694,492 |
| Total financial liabilities | - | 1,139,118 | 43,930 | - | - | - | 1,183,048 |

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.

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 assets or committed funding facilities are available to meet all the required short term cash payments and expects borrowings to roll over.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

21. Financial risk management objectives and policies CONTINUED

| | GROUP | | | | Total \$000 |
|-------------------------------------------|-------------------|-----------------------|-----------------------|--------------------|------------------|
| | < 1 year \$000 | 1 to 3 years \$000 | 3 to 5 years \$000 | > 5 years \$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 |
| 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 | | | | Total \$000 |
|-------------------------------------------|-------------------|-----------------------|-----------------------|--------------------|------------------|
| | < 1 year \$000 | 1 to 3 years \$000 | 3 to 5 years \$000 | > 5 years \$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 | 71,217 | - | - | - | 71,217 |
| 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 |

| | 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 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

21. Financial risk management objectives and policies CONTINUED

(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).

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) |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

21. Financial risk management objectives and policies CONTINUED

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.

| | 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.

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 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

21. Financial risk management objectives and policies CONTINUED

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.

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.

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 reserve | 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.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

21. Financial risk management objectives and policies CONTINUED

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. 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 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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.

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).

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

25. Related party disclosures CONTINUED

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 \$000 | 2011 \$000 | 2012 \$000 | 2011 \$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 |

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 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.

| | 2012 Shares | 2011 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 |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

26. Share-based payment plans CONTINUED

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 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 2012 | Assumptions 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 |
|------------|---------------------|-------------|-------------------|------------------|---------------------|---------------------------|------------------------------------------|----------------------------------------------------------|
| 26/08/05 | 26/08/08 | 26/08/11 | 3,699,869 | 3,699,869 | - | - | - | N/A |
| 26/08/06 | 26/08/09 | 26/08/12 | 2,593,825 | 1,698,303 | - | 895,522 | - | \$3.09 |
| 24/08/07 | 24/08/10 | 24/08/13 | 1,592,928 | 911,747 | - | 681,181 | - | \$4.62 |
| 4/08/08 | 4/08/11 | 4/08/13 | 1,000,000 | - | - | 1,000,000 | - | \$2.95 |
| 4/08/08 | 4/08/12 | 4/08/14 | 1,000,000 | - | - | 1,000,000 | - | \$2.95 |
| 4/08/08 | 4/08/13 | 4/08/15 | 1,000,000 | - | - | 1,000,000 | - | \$2.95 |
| 22/08/08 | 22/08/11 | 22/08/14 | 3,247,079 | 1,417,438 | - | 1,829,641 | - | \$2.63 |
| 31/08/09 | 31/08/12 | 31/08/14 | 2,630,752 | 476,660 | - | 2,154,092 | - | \$2.01 |
| 25/08/10 | 25/08/13 | 25/08/15 | 666,000 | - | - | 666,000 | - | \$2.34 |
| 25/08/10 | 25/08/14 | 25/08/16 | 666,000 | - | - | 666,000 | - | \$2.34 |
| 25/08/10 | 25/08/15 | 25/08/17 | 668,000 | - | - | 668,000 | - | \$2.34 |
| 27/08/10 | 27/08/13 | 27/08/15 | 2,628,381 | 390,791 | - | 2,237,590 | - | \$2.20 |
| 24/08/11 | 24/08/14 | 24/08/16 | 3,031,956 | - | - | 3,031,956 | - | \$2.38 |
| | | | 24,424,790 | 8,594,808 | - | 15,829,982 | - | |

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 |
|------------|---------------------|-------------|-------------------|------------------|---------------------|---------------------------|------------------------------------------|----------------------------------------------------------|
| 26/08/05 | 26/08/08 | 26/08/11 | 3,699,869 | 1,806,038 | - | 1,893,831 | - | \$3.22 |
| 26/08/06 | 26/08/09 | 26/08/12 | 2,593,825 | 1,698,303 | - | 895,522 | - | \$2.88 |
| 24/08/07 | 24/08/10 | 24/08/13 | 1,592,928 | 911,747 | - | 681,181 | - | \$4.30 |
| 4/08/08 | 4/08/11 | 4/08/13 | 1,000,000 | - | - | 1,000,000 | - | \$2.71 |
| 4/08/08 | 4/08/12 | 4/08/14 | 1,000,000 | - | - | 1,000,000 | - | \$2.71 |
| 4/08/08 | 4/08/13 | 4/08/15 | 1,000,000 | - | - | 1,000,000 | - | \$2.71 |
| 22/08/08 | 22/08/11 | 22/08/14 | 3,247,079 | 1,417,438 | - | 1,829,641 | - | \$2.49 |
| 31/08/09 | 31/08/12 | 31/08/14 | 2,587,973 | 476,660 | - | 2,111,313 | - | \$1.90 |
| 25/08/10 | 25/08/13 | 25/08/15 | 666,000 | - | - | 666,000 | - | \$2.19 |
| 25/08/10 | 25/08/14 | 25/08/16 | 666,000 | - | - | 666,000 | - | \$2.19 |
| 25/08/10 | 25/08/15 | 25/08/17 | 668,000 | - | - | 668,000 | - | \$2.19 |
| 27/08/10 | 27/08/13 | 27/08/15 | 2,224,111 | 390,791 | - | 1,833,320 | - | \$2.09 |
| | | | 20,945,785 | 6,700,977 | - | 14,244,808 | - | |

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

26. Share-based payment plans CONTINUED**Phantom Shares****As at 30 June 2012**

| Issue date | Settlement date | Number granted | Number lapsed | Number settled | Number at 30 June 2012 |
|------------|-----------------|----------------|---------------|----------------|------------------------|
| 22/08/08 | 22/08/11 | 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 |
|------------|-----------------|----------------|---------------|----------------|------------------------|
| 24/08/07 | 24/08/10 | 143,277 | 65,591 | 77,686 | - |
| 22/08/08 | 22/08/11 | 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.

Audit Report

Deloitte.

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 40 to 100, 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 40 to 100:

- 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

This audit report relates to the financial statements of Auckland International Airport Limited and group for the year ended 30 June 2012 included on Auckland International Airport Limited's website. Through management, the Board of Directors is responsible for the maintenance and integrity of Auckland International Airport Limited's website. We have not been engaged to report on the integrity of Auckland International Airport Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 29 August 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five year summary

FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 \$000 | 2011 \$000 | 2010 \$000 | 2009 \$000 | 2008 \$000 |
|--------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Group income statement | | | | | |
| Income | | | | | |
| Airfield income | 77,299 | 72,529 | 66,715 | 70,458 | 70,129 |
| Passenger Services charge | 83,081 | 78,760 | 73,252 | 66,542 | 66,952 |
| Terminal services charge | 28,604 | 28,342 | 27,814 | 27,470 | 22,897 |
| Retail income | 120,863 | 111,150 | 95,817 | 105,316 | 98,427 |
| Rental income | 54,974 | 49,927 | 48,533 | 47,975 | 45,172 |
| Rates recoveries | 4,390 | 4,313 | 2,982 | 3,210 | 3,132 |
| Car park income | 36,620 | 33,437 | 31,057 | 29,377 | 29,252 |
| Interest income | 1,570 | 1,460 | 1,678 | 2,611 | 563 |
| Other | 19,412 | 17,805 | 15,265 | 15,336 | 13,455 |
| Total income | 426,813 | 397,723 | 363,113 | 368,295 | 349,979 |
| Expenses | | | | | |
| Staff | 34,326 | 32,607 | 31,574 | 34,337 | 24,893 |
| Asset management, maintenance and airport operations | 36,717 | 32,854 | 30,948 | 30,158 | 25,717 |
| Rates and insurance | 9,082 | 7,829 | 7,035 | 6,845 | 7,389 |
| Marketing and Promotions | 12,207 | 11,751 | 4,544 | 1,801 | 2,705 |
| Other | 15,192 | 14,453 | 12,701 | 15,740 | 14,490 |
| Total expenses | 107,524 | 99,494 | 86,802 | 88,881 | 75,194 |
| Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) | 319,289 | 298,229 | 276,311 | 279,414 | 274,785 |
| Share of profit of associates | 9,240 | 4,755 | 890 | 949 | 1,051 |
| Share of loss of associate | - | - | (792) | - | - |
| Gain on sale of associates | - | 1,240 | - | - | - |
| Derivative fair value increase/(decrease) | (2,148) | 3,503 | - | - | - |
| Property, plant and equipment revaluation | - | (63,465) | - | - | - |
| Investment property fair value increases/(decreases) | 1,350 | 21,640 | 9,469 | (64,586) | 13,721 |
| Costs relating to ownership proposals | - | - | - | - | (9,588) |
| Earnings before interest, taxation and depreciation (EBITDA) | 327,731 | 265,902 | 285,878 | 215,777 | 279,969 |
| Depreciation | 64,483 | 56,843 | 55,736 | 54,766 | 46,973 |
| Earnings before interest and taxation (EBIT) | 263,248 | 209,059 | 230,142 | 161,011 | 232,996 |
| Interest expense and other finance costs | 68,958 | 70,417 | 71,938 | 75,590 | 72,548 |
| Profit before taxation | 194,290 | 138,642 | 158,204 | 85,421 | 160,448 |
| Taxation expense | 52,006 | 37,881 | 128,510 | 43,696 | 47,489 |
| Profit after taxation | 142,284 | 100,761 | 29,694 | 41,725 | 112,959 |

| | 2012 \$000 | 2011 \$000 | 2010 \$000 | 2009 \$000 | 2008 \$000 |
|-------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Group statement of comprehensive income | | | | | |
| Profit for the period | 142,284 | 100,761 | 29,694 | 41,725 | 112,959 |
| Other comprehensive income | | | | | |
| Property Plant and equipment net revaluation movements | - | 582,698 | - | - | - |
| Tax on the property, plant and equipment revaluation reserve | 472 | (47,548) | 7,862 | 625 | 58 |
| Total property, plant and equipment revaluation reserve movement | 472 | 535,150 | 7,862 | 625 | 58 |
| Foreign currency translation reserve | (1,724) | 6,102 | (2,347) | - | - |
| Movement in share based payments | - | 7 | 11 | - | 31 |
| Movement in share of reserves of associate | (9,668) | (481) | (1,202) | - | - |
| Cash flow hedges: | | | | | |
| Fair value gains/(losses) recognised in the cash flow hedge reserve | (19,716) | (16,198) | (15,323) | (30,230) | (2,467) |
| Realised (gains)/losses transferred to the income statement | 11,466 | 13,733 | 20,812 | (5,683) | (5,489) |
| Tax effect of movements in the cash flow hedge reserve | 2,310 | 690 | (2,172) | 9,521 | - |
| Total Cash flow hedge movement | (5,940) | (1,775) | 3,317 | (26,392) | (7,956) |
| Total other comprehensive income/(loss) | (16,860) | 539,003 | 7,641 | (25,767) | (7,867) |
| Total comprehensive income for the period, net of tax attributable to the owners of the parent | 125,424 | 639,764 | 37,335 | 15,958 | 105,092 |

| | 2012 \$000 | 2011 \$000 | 2010 \$000 | 2009 \$000 | 2008 \$000 |
|---------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Group statement of changes in equity | | | | | |
| At 1 July | 2,467,531 | 1,913,634 | 1,841,147 | 1,896,633 | 1,914,965 |
| Profit for the period | 142,284 | 100,761 | 29,694 | 41,725 | 112,959 |
| Other comprehensive income/(loss) | (16,860) | 539,003 | 7,641 | (25,767) | (7,867) |
| Total comprehensive income | 125,424 | 639,764 | 37,335 | 15,958 | 105,092 |
| Share buy-back | (10,883) | - | - | - | - |
| Shares Issued | 11,043 | 25,141 | 138,507 | 4,473 | 1,208 |
| Dividend Paid | (120,348) | (111,008) | (103,355) | (75,917) | (124,632) |
| At 30 June | 2,472,767 | 2,467,531 | 1,913,634 | 1,841,147 | 1,896,633 |

Five year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

| Group balance sheet | 2012 \$000 | 2011 \$000 | 2010 \$000 | 2009 \$000 | 2008 \$000 |
|-----------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Non-current assets | | | | | |
| Property, plant and equipment | | | | | |
| Freehold land | 1,908,808 | 1,909,347 | 1,498,579 | 1,499,232 | 1,495,138 |
| Buildings and services | 514,373 | 518,325 | 535,617 | 545,261 | 543,348 |
| Infrastructure | 279,894 | 280,026 | 226,528 | 227,548 | 217,846 |
| Runways, taxiways and aprons | 300,271 | 307,141 | 251,027 | 257,788 | 251,953 |
| Vehicles, plant and equipment | 18,519 | 20,581 | 21,113 | 17,780 | 14,734 |
| | 3,021,865 | 3,035,420 | 2,532,864 | 2,547,609 | 2,523,019 |
| Investment properties | 579,783 | 546,232 | 490,131 | 467,537 | 524,280 |
| Investment in associate - HMSC-AIAL Ltd | - | - | - | 5,892 | 4,943 |
| Investment in associates | 179,957 | 197,635 | 161,867 | - | - |
| Derivative financial instruments | 24,664 | 8,687 | 7,596 | 5,334 | 6,991 |
| Other non-current assets | - | 775 | 775 | 775 | 775 |
| | 3,806,269 | 3,788,749 | 3,193,233 | 3,027,147 | 3,060,008 |
| Current assets | | | | | |
| Cash | 42,842 | 46,146 | 36,052 | 34,320 | 693 |
| Inventories | 10 | 67 | 102 | 130 | 178 |
| Prepayments | 5,404 | 4,941 | 5,188 | 3,309 | 3,220 |
| Accounts receivable | 17,664 | 20,476 | 16,112 | 17,321 | 14,789 |
| Dividend Receivable | 3,290 | 3,820 | 3,687 | - | - |
| Taxation receivable | - | - | - | 4,293 | 13,727 |
| Held for Sale Investment in Associate | - | - | 6,782 | - | - |
| Derivative financial instruments | 54 | 2,011 | 902 | 1,683 | 292 |
| | 69,264 | 77,461 | 68,825 | 61,002 | 32,899 |
| Total assets | 3,875,533 | 3,866,210 | 3,262,058 | 3,088,149 | 3,092,907 |

| Group balance sheet continued | 2012 \$000 | 2011 \$000 | 2010 \$000 | 2009 \$000 | 2008 \$000 |
|---------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Shareholders' equity | | | | | |
| Issued and paid-up capital | 348,846 | 338,386 | 313,245 | 174,738 | 170,265 |
| Cancelled share reserve | (171,604) | (161,304) | (161,304) | (161,304) | (161,304) |
| Retained earnings | 181,957 | 158,407 | 150,471 | 220,251 | 251,786 |
| Property, plant and equipment revaluation reserve | 2,148,589 | 2,149,731 | 1,632,764 | 1,628,783 | 1,630,815 |
| Share-based payments reserve | 913 | 913 | 906 | 895 | 895 |
| Cash flow hedge reserve | (26,614) | (20,674) | (18,899) | (22,216) | 4,176 |
| Share of reserves of associates | (11,351) | (1,683) | (1,202) | - | - |
| Foreign currency translation reserve | 2,031 | 3,755 | (2,347) | - | - |
| | 2,472,767 | 2,467,531 | 1,913,634 | 1,841,147 | 1,896,633 |
| Non-current liabilities | | | | | |
| Term borrowings | 926,930 | 652,640 | 885,218 | 803,707 | 741,727 |
| Derivative financial instruments | 31,627 | 41,146 | 25,802 | 29,279 | 3,758 |
| Deferred tax liability | 199,246 | 205,112 | 172,083 | 91,302 | 99,923 |
| Other term liabilities | 700 | 707 | 531 | 438 | 430 |
| | 1,158,503 | 899,605 | 1,083,634 | 924,726 | 845,838 |
| Current liabilities | | | | | |
| Accounts payable | 54,439 | 52,775 | 45,983 | 42,753 | 45,730 |
| Derivative financial instruments | 1,339 | 2,784 | 2,751 | 5,020 | 748 |
| Taxation payable | 6,160 | 10,277 | 8,709 | - | - |
| Short-term borrowings | 181,800 | 432,006 | 206,780 | 272,998 | 300,793 |
| Provisions | 525 | 1,232 | 567 | 1,505 | 3,165 |
| | 244,263 | 499,074 | 264,790 | 322,276 | 350,436 |
| Total equity and liabilities | 3,875,533 | 3,866,210 | 3,262,058 | 3,088,149 | 3,092,907 |

Five year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 \$000 | 2011 \$000 | 2010 \$000 | 2009 \$000 | 2008 \$000 |
|------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Statement of cash flows | | | | | |
| Cash flow from operating activities | | | | | |
| Cash was provided from: | | | | | |
| Receipts from customers | 428,523 | 393,563 | 363,097 | 363,501 | 345,973 |
| Income tax refunded | - | - | 3,233 | 11,621 | - |
| Interest received | 1,570 | 1,460 | 1,678 | 2,611 | 563 |
| | 430,093 | 395,023 | 368,008 | 377,733 | 346,536 |
| Cash was applied to: | | | | | |
| Payments to suppliers and employees | (105,753) | (99,890) | (87,423) | (87,715) | (95,980) |
| Income tax paid | (59,207) | (50,142) | (32,329) | (44,304) | (46,416) |
| Other taxes paid | (255) | (289) | (248) | (344) | (328) |
| Interest paid | (68,153) | (69,761) | (71,752) | (75,292) | (69,484) |
| | (233,368) | (220,082) | (191,752) | (207,655) | (212,208) |
| Net cash flow from operating activities | 196,725 | 174,941 | 176,256 | 170,078 | 134,328 |
| Cash flow from investing activities | | | | | |
| Cash was provided from: | | | | | |
| Proceeds from sale of assets | - | 30 | 2 | 371 | 62 |
| Proceeds from sale of investment in associate | - | 8,022 | - | - | - |
| Other investing activities | 14,308 | 9,558 | - | - | - |
| | 14,308 | 17,610 | 2 | 371 | 62 |
| Cash was applied to: | | | | | |
| Purchase of property, plant and equipment | (46,485) | (35,595) | (42,897) | (82,517) | (135,964) |
| Interest paid - capitalised | (1,822) | (1,197) | (2,102) | (3,889) | (6,831) |
| Expenditure on investment properties | (36,335) | (31,587) | (8,338) | (7,303) | (3,350) |
| Other investing activities | - | (31,511) | (170,797) | - | - |
| | (84,642) | (99,890) | (224,134) | (93,709) | (146,145) |
| Net cash applied to investing activities | (70,334) | (82,280) | (224,132) | (93,338) | (146,083) |
| Cash flow from financing activities | | | | | |
| Cash was provided from: | | | | | |
| Increase in share capital | 11,043 | 25,141 | 138,507 | 4,473 | 1,208 |
| Increase in borrowings | 1,499,380 | 2,186,300 | 2,699,456 | 3,383,955 | 3,959,573 |
| | 1,510,423 | 2,211,441 | 2,837,963 | 3,388,428 | 3,960,781 |
| Cash was applied to: | | | | | |
| Decrease in borrowings | (1,508,887) | (2,183,000) | (2,685,000) | (3,355,624) | (3,825,295) |
| Dividends paid | (120,348) | (111,008) | (103,355) | (75,917) | (124,632) |
| Share buy-back | (10,883) | - | - | - | - |
| | (1,640,118) | (2,294,008) | (2,788,355) | (3,431,541) | (3,949,927) |
| Net cash flow applied to financing activities | (129,695) | (82,567) | 49,608 | (43,113) | 10,854 |
| Net increase/(decrease) in cash held | (3,304) | 10,094 | 1,732 | 33,627 | (901) |
| Opening cash brought forward | 46,146 | 36,052 | 34,320 | 693 | 1,594 |
| Ending cash carried forward | 42,842 | 46,146 | 36,052 | 34,320 | 693 |

| Key performance indicators | 2012 | 2011 | 2010 | 2009 | 2008 |
|--------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Financial performance | | | | | |
| Underlying operating EBITDAFI margin | 74.8% | 75.0% | 76.1% | 77.0% | 77.2% |
| Underlying profit after-tax return on capital employed | 5.6% | 5.5% | 5.6% | 5.7% | 5.4% |
| Underlying earnings per share (cps) | 10.51 | 9.18 | 8.35 | 8.65 | 8.49 |
| Financial position and gearing | | | | | |
| Debt/Debt + equity (%) | 30.9% | 30.5% | 36.3% | 36.9% | 35.5% |
| Debt/Underlying EBITDAFI (times) | 3.47 | 3.64 | 3.92 | 3.74 | 3.61 |
| Underlying EBITDAFI interest cover (times) | 4.51 | 4.16 | 3.73 | 3.57 | 3.43 |
| Net tangible assets per share | 1.87 | 1.87 | 1.46 | 1.50 | 1.55 |
| Operating efficiencies | | | | | |
| Passengers per operating staff | 46,632 | 46,023 | 44,491 | 41,289 | 43,281 |
| Operating income per average operating staff (\$) | 1,421,020 | 1,362,712 | 1,201,303 | 1,173,566 | 1,167,648 |
| Operating income per passenger (\$) | 30.47 | 29.61 | 27.00 | 28.42 | 26.59 |
| Retail income per international passenger (\$) | 16.15 | 15.64 | 12.92 | 14.31 | 13.19 |
| Car park income per passenger (\$) | 2.73 | 2.60 | 2.47 | 2.45 | 2.38 |
| Operating staff costs/operating income | 8.0% | 8.2% | 8.7% | 9.3% | 7.1% |

| Capital expenditure | 2012 \$m | 2011 \$m | 2010 \$m | 2009 \$m | 2008 \$m |
|----------------------------|-------------|-------------|-------------|-------------|--------------|
| Aeronautical | 25.5 | 14.6 | 12.3 | 45.4 | 108.3 |
| Retail | 2.3 | 10.4 | 24.3 | 12.1 | 8.4 |
| Property development | 49.3 | 46.2 | 11.9 | 8.8 | 6.7 |
| Infrastructure and other | 3.1 | 3.0 | 5.4 | 9.5 | 15.5 |
| Carparking | 2.9 | 0.6 | 0.4 | 11.8 | 4.0 |
| Total | 83.1 | 74.8 | 54.3 | 87.6 | 142.9 |

| Passenger, aircraft and MCTOW | 2012 | 2011 | 2010 | 2009 | 2008 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Passenger movements | | | | | |
| International | 7,769,207 | 7,392,045 | 7,415,792 | 7,359,611 | 7,462,683 |
| Domestic | 6,236,915 | 6,040,265 | 6,032,410 | 5,598,077 | 5,740,089 |
| Aircraft movements | | | | | |
| International | 45,094 | 43,782 | 42,697 | 40,756 | 39,053 |
| Domestic | 110,421 | 110,508 | 112,274 | 116,032 | 120,574 |
| MCTOW (tonnes) | | | | | |
| International | 4,167,792 | 4,007,728 | 3,923,988 | 4,075,946 | 4,120,430 |
| Domestic | 1,733,819 | 1,682,824 | 1,746,912 | 1,774,079 | 1,816,370 |

Corporate governance

Auckland Airport's board of directors ("Board") is responsible for the company's corporate governance. The Board is committed to undertaking this role in accordance with internationally accepted best practice appropriate to the company's business. It also takes account of the company's listing on both the NZSX and the ASX. The company's corporate governance practices fully reflect and satisfy the 'ASX Corporate Governance Council's Principles of Good Corporate Governance Principles and Recommendations' (2nd Edition), ('ASX Principles') and the 'NZX Corporate Governance Best Practice Code' ('NZX Code').

The comprehensive ASX Principles set out 8 fundamental principles of good corporate governance. The structure of this corporate

governance section of the annual report reflects the company's compliance with those fundamental principles. This approach has been adopted to maximise the transparency of the company's corporate governance practices for the benefit of shareholders and other stakeholders. This is consistent with the approach taken in previous annual reports, and helps readers compare reports.

The company's constitution, and each of the charters and policies referred to in this corporate governance section, is available on the corporate information section of the company's website – www.aucklandairport.co.nz (the "Company Website").

Principle 1: Lay solid foundations for management and oversight

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

The Board's primary governance roles are:

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

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

- Audit and risk;
- Remuneration;
- Nominations.

The roles of these committees are detailed later in this report.

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

All directors have been issued letters setting out the terms and conditions of their appointment. A copy of the standard form of this letter is available on the Company Website. This letter may be changed with the agreement of the Board. The chief executive and other members of the senior management team have employment agreements setting out their roles and conditions of employment. The company has set detailed delegated authorities controlling the extent to which employees can commit the company.

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

The performance of the chief executive is also reviewed in accordance with this procedure with the review being undertaken by the chair of the Board

The performance of all members of the senior management team was reviewed in the 2012 financial year in accordance with this process.

Principle 2: Structure the board to add value

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

The Board currently comprises eight directors, being Joan Withers, Keith Turner, John Brabazon, Richard Didsbury, Brett Godfrey, Sir Henry van der Heyden, James Miller and Justine Smyth. All of the directors are considered by the Board to be "independent" directors. In judging whether a director is 'independent', the Board has regard to whether or not the director:

- is a Substantial Security Holder (as that term is defined in section 2 of the Securities Markets Act 1988) in the company, or is an officer of, or otherwise associated directly with, a Substantial Security Holder of the company;
- is or has not within the past three years been employed in an executive capacity by the company or has been a director after ceasing to hold any such employment and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has been within the last three years a material supplier or customer of the company, or is an officer or employee of, or otherwise associated with, a material supplier or customer;
- has a material contractual or other material relationship with the company other than as a director;
- has been within the last three years a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- has been within the last three years a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- has served on the Board for a period that, in the Board's opinion, could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company;
- is free from any other interests or any business or other relationships (including familial) that could or could be perceived to interfere with the director's unfettered and independent judgement and ability to act in the best interests of the company; and
- or any associated person of the director, has derived, or is likely to derive, in the current financial year 10 per cent or more of that person's annual revenue from, or by virtue of, a relationship (other than as a director of Auckland Airport) the director or the associated person of the director has with the company or a Substantial Security Holder of the company.

The directors as at the date of this annual report and the dates of their appointment are:

| | | |
|------------------------------------------------------------------|----------------|------------------|
| Joan Withers MBA, AFInstD | (Chair) | 29 October 1997 |
| Keith Turner BE (Hons), ME, PhD, FIEE, Dist.FIPENZ, FNZIM | (Deputy Chair) | 21 April 2004 |
| John Brabazon BCom, ACA, AFInstD, F FIN | | 20 November 2007 |
| Richard Didsbury BE | | 20 November 2007 |
| Brett Godfrey BCom, ACA | | 28 October 2010 |
| Sir Henry van der Heyden KNZM, BE (Hons) | | 4 September 2009 |
| James Miller BCom, FCA, AMInstD | | 4 September 2009 |
| Justine Smyth BCom, CA | | 2 July 2012 |

The chief executive is not a member of the Board.

A biography of each director of the company is set out on pages 18 and 19.

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

The table on page 111 shows a list of each director's Board committee memberships, the number of meetings of the board and its committees held during the year, and the number of those meetings attended by each director.

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

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

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

Corporate governance CONTINUED

The Board has established the nominations committee to focus on the selection of new directors, the induction of directors, and to develop a succession plan for board members. The committee has a formal charter which can be found on the Company Website. The committee is required to comprise of a minimum of two independent non-executive directors and the chair of the committee is required to be an independent director. The current members are Keith Turner (chair), Richard Didsbury and Joan Withers. Each member is independent. The committee members' qualifications are set out on pages 18 and 19 and attendance at meetings on page 111.

The Board's policy is that the Board needs to have an appropriate mix of skills, experience and diversity (including gender diversity) to ensure it is well equipped to navigate the range of issues faced by the company. The Board reviews and evaluates on a regular basis the skill mix required and identifies where gaps exist. The areas of skill and experience which the Board considers to be particularly relevant include tourism, aviation industry, retail and sales, government relations, New Zealand and international business, property and infrastructure, finance and accounting and legal.

The Board is strongly supportive of increasing diversity in corporate governance. The company's diversity policy expresses the view that diversity, encompassing differences that relate to gender, age, ethnicity, disability, religion, sexual orientation and cultural background, assists us in developing organisational capability to leverage as a resource. The Board is also mindful of the value and contribution from people with differences in background and life experience, communication styles, interpersonal skills and education. The Board considers that it has the appropriate mix of relevant skills, experience and diversity to enable it to discharge its responsibilities.

Since 1 July 2011, one new independent, non-executive director has been appointed to the Board. Justine Smyth was appointed to the board on 2 July 2012 and will retire and put herself forward for re-election at the annual meeting on 24 October 2012. Ms Smyth has strong experience in retail, governance, mergers & acquisitions, taxation and financial performance of large corporates as well as experience as a director of a number of significant New Zealand companies including Telecom and New Zealand Post Limited and is a board member of the Financial Markets Authority

In respect of Ms Smyth's appointment, the Board undertook a formal selection process and engaged an executive recruitment firm to assist in this process. The Board established a set of criteria regarding the qualifications and experience required generally to serve on the Board as well as a specific set of criteria the successful candidate should satisfy to ensure the board maintained the appropriate mix of skills, experience and diversity. With the appointment of Ms Smyth, 25% of the members of the Board are women.

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

- each director participating with the chair in a formal performance evaluation;
- each director discussing with the chair that director's contribution to the proceedings of the Board and the performance of the board and its committees generally; and
- the chair's own contribution being discussed with the rest of the Board;

In addition, an independent review of directors and Board performance is conducted biannually.

Performance reviews were completed for all directors in the 2012 financial year in accordance with the above procedure.

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

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

The general manager corporate affairs is the corporate secretary. He is responsible and accountable to the Board for:

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

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

| Name | Status | Board | | | | | Audit and risk | | | Remuneration | | | Nominations | | |
|-------------------------------|-------------------------------|--------|----------------|-------------------------|------------------------------------|--------------------------------|----------------|----------------|-------------------------|--------------|----------------|-------------------------|-------------|----------------|-------------------------|
| | | Member | No of meetings | No of meetings attended | No of ad hoc meetings ¹ | No of ad hoc meetings attended | Member | No of meetings | No of meetings attended | Member | No of meetings | No of meetings attended | Member | No of meetings | No of meetings attended |
| Joan Withers | Independent non-executive | ✓ | 10 | 10 | | | ✓ | 10 | 10 | ✓ | 6 | 6 | ✓ | 2 | 2 |
| Keith Turner | Independent non-executive | ✓ | 10 | 10 | 3 | 2 | | | | ✓ | 6 | 6 | ✓ | 2 | 2 |
| John Brabazon | Independent non-executive | ✓ | 10 | 10 | 2 | 2 | ✓ | 10 | 10 | | | | | | |
| Richard Didsbury ² | Independent non-executive | ✓ | 10 | 10 | 3 | 3 | ✓ | 6 | 6 | | | | ✓ | 2 | 2 |
| Brett Godfrey | Independent non-executive | ✓ | 10 | 9 | | | | | | ✓ | 6 | 5 | | | |
| Henry van der Heyden | Independent non-executive | ✓ | 10 | 9 | | | | | | ✓ | 6 | 6 | | | |
| James Miller | Independent non-executive | ✓ | 10 | 10 | 5 | 5 | ✓ | 10 | 10 | | | | | | |
| Lloyd Morrison ³ | Non-executive Not independent | ✓ | 4 | - | | | | | | ✓ | 2 | - | ✓ | - | - |

1 Includes unscheduled Board meetings, 5 meetings of ad hoc committees of the Board established for the purposes of asset revaluation and due diligence associated with the company's September 2011 bond issuance.

2 Mr Didsbury stepped down from the Audit and Risk Committee in February 2012.

3 Mr Morrison was granted a leave of absence by the Board during the year and passed away in February 2012.

Principle 3: Promote ethical and responsible decision-making

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

The ethics policy and code of conduct deals with the company's:

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

and sets out procedures to be followed for reporting any concerns regarding breaches of the policy and code of conduct and for annual review of their content by the Board.

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

- the period from the close of trading on 30 June of each year until the day following the announcement to the NZX of the preliminary final statement or full year results; and
- the period from the close of trading on 31 December of each year until the day following the announcement to the NZX of the half-year results.

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

DIVERSITY

The company has adopted a diversity policy in support of the company's focus on providing a framework for an inclusive, equitable and commercially successful approach to encouraging

Corporate governance CONTINUED

diversity within the business. The company has reviewed extensive literature on the effectiveness of target or quota based diversity objectives and has elected to instead focus on adopting a broad approach to diversity which focuses on a company-wide commitment to increasing diversity within the workforce. A copy of the diversity policy can be found on the Company Website.

To support the implementation of the diversity policy, the company has established a diversity committee, comprised of representatives from throughout the organisation. The diversity committee's focus is to promote a shared and inclusive understanding of diversity and to co-ordinate organisational change to support the company's diversity goals.

The remuneration committee of the Board receives an annual report from management on diversity within the company, encompassing the number of female employees, level of participation and representation by department. In addition, the senior management team receives regular reports on diversity and wider gender demographics (where available).

As at 15 August 2012, two of the eight members of the Board and one of the eight members of the senior management team were women. Women made up 32.75% of all employees across the company.

Principle 4: Safeguard integrity in financial reporting

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

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

The committee must have a minimum of three members, all of whom must be non-executive directors, and the majority must be

independent directors. The committee is chaired by an independent chair, who is not chair of the Board. The current members are James Miller (chair), John Brabazon, Justine Smyth, and Joan Withers, all of whom are independent non-executive directors. Their qualifications are set out on pages 18 and 19 and attendance at meetings on page 111.

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

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

Principle 5: Make timely and balanced disclosure

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

The corporate secretary is the company's market disclosure officer, and is responsible for monitoring the company's business to ensure the compliance with its disclosure obligations. Managers reporting to the chief executive are required to provide the corporate secretary with all relevant information, to regularly confirm that they have

done so, and made all reasonable enquiries to ensure this has been achieved.

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

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

Principle 6: Respect the rights of shareholders

The company's communications framework and strategy is designed to ensure that communications with shareholders and all other stakeholders are managed efficiently. This strategy forms part of the disclosure and communications policy referred to under Principle 5 which can be found on the Company Website. It is the company's policy that external communications will be accurate, verifiable, consistent and transparent.

The chief executive and chief financial officer are appointed as the points of contact for analysts. The chair, chief financial officer,

chief executive, general manager corporate affairs and manager corporate relations are appointed as the points of contact for media.

The company currently keeps shareholders informed through:

- the annual report;
- the interim report;
- the annual meeting of shareholders;
- information provided to analysts during regular briefings;

- disclosure to the NZX and ASX in accordance with the company's disclosure and communications policy; and
- the corporate section of the Company Website.

The Board considers the annual report to be an essential opportunity for communicating with shareholders. The company publishes its annual and interim results and reports electronically on the Company Website. Investors may also request a hard copy of the Annual Report by contacting the company's share registrar, Link Market Services Limited. Contact details for the registrar appear at the end of this report.

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

Principle 7: Recognise and manage risks

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

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

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

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

The Board has received assurance from the chief executive and chief financial officer that this confirmation is founded on a sound system of risk management and internal control which is operating effectively in all respects relating to financial reporting.

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

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

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

The company continues to enhance and develop its risk management process with a view to continuous improvement. During the year significant activities undertaken in this regard include:

- crisis management process and plans have been refined and developed; and
- the Board and management have reviewed and refined the board's approach to risk in the conduct of the business.

The company has established a formal internal audit function. This function is performed by Ernst & Young. Ernst & Young reports on its activities two times in each year to the audit and risk committee.

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

Principle 8: Remunerate fairly and responsibly

The Board's remuneration committee has a formal charter, and all of its members are non-executive directors. Remuneration committee members are Keith Turner (chair), Brett Godfrey, Sir Henry van der Heyden and Joan Withers. Each member is independent. The committee's charter can be found on the Company Website. The committee members' attendance at meetings is set out on page 111.

The Board has an objective, in this report, to be transparent about its remuneration policy and practice, in order to demonstrate that all those involved with running the Company are motivated to create sustainable shareholder wealth and receive appropriate reward when they do.

DIRECTORS

Non-executive directors receive fees determined by the Board on the recommendation of the remuneration committee. Those fees must be within the aggregate amount per annum approved by shareholders. Shareholders approved a total pool of \$1,290,000 at the company's annual meeting on 28 October 2010, an increase of \$140,000 from the previously approved pool. The directors have also decided that they each will use 15% of the base fees actually payable to them to acquire shares in the Company. In order to do this the directors have entered into a share purchase plan agreement and appointed First NZ Capital to be the manager of the plan. The manager of the plan acquires the shares required for the

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purposes of the plan on behalf of directors over the 20 business days commencing two days after the company's half year and full year results announcements. The first such acquisition was made in respect of the directors' fees for the year during the period following the announcement of the 2011 half year announcement. Directors will remain in the plan until one year after retirement from the Board.

Each year the remuneration committee reviews the level of directors' remuneration. The committee considers the skills, performance, experience and level of responsibility of directors when undertaking the review, and is authorised to obtain independent advice on market conditions. After taking external advice, the committee makes recommendations on the appropriate levels of remuneration to the Board for submission to shareholders for approval. This year the Board is recommending to shareholders that shareholders increase the total pool available for directors' remuneration by 2.8% (\$36,120) to \$1,326,120.

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

REMUNERATION OF DIRECTORS

| Name | Director's fee ² | Accrued retirement allowance |
|-----------------------------|-----------------------------|------------------------------|
| Joan Withers | \$215,000 | \$120,000.00 |
| Keith Turner | \$154,906 | - |
| John Brabazon | \$121,563 | - |
| Richard Didsbury | \$124,563 | - |
| Brett Godfrey | \$107,625 | - |
| Henry van der Heyden | \$107,625 | - |
| James Miller | \$139,375 | - |
| Lloyd Morrison ¹ | \$27,000 | - |

1 Lloyd Morrison passed away in February 2012

2 The above remuneration includes fees for ad hoc committee attendances for the purposes of asset revaluation and due diligence associated with the company's September 2012 bond issuance as follows: Keith Turner - \$13,656, James Miller - \$6,250, John Brabazon - \$5,625, Richard Didsbury - \$12,500. The above remuneration excludes the amounts applied by the Company to share purchases on behalf of the directors in accordance with the share purchase plan outlined above.

MANAGEMENT

The company's remuneration policy is to ensure that:

- staff are fairly and equitably remunerated relative to comparable positions within the Australasian market;
- staff are strongly motivated to achieve stretch performance that will deliver shareholder value; and
- the company is able to attract and retain high-performing employees who will ensure the achievement of company objectives.

The annual remuneration review process requires, what we call, "one over one" approval. That is, the approval of the Board of directors is

required for the implementation of changes to the chief executive's remuneration, as recommended by the remuneration committee. Likewise, the approval of the remuneration committee of the Board is required for the implementation of recommendations from the chief executive in relation to the remuneration of the leadership team and the aggregate increment applying to all other employees.

The recruitment process, and subsequently the remuneration review process, involves the consideration of market information obtained from specialist advisors and, in the case of employees employed under collective agreements, negotiations with unions.

All employees of the company participate every six months in a detailed performance development system ("PDS"), administered by the human resources team. The outcomes of the PDS are integrated into the annual remuneration review to ensure that the company's remuneration policy is delivered on. The PDS also is a very useful tool in identifying necessary staff development and training and, very importantly, in succession planning.

The company's senior management team's total remuneration is made up of a mix of:

- base salary;
- short-term "at risk" performance incentives; and
- in relation to the leadership team, long-term performance incentives which are directly aligned to long term shareholder value creation.

The levels of remuneration, and the mix between the base salary and short and long-term incentives, vary at different levels of management. The company benchmarks the leadership team's remuneration against independently derived market data. A selection of comparable companies is chosen to ensure market relativities for comparable positions are observed. The comparison set includes a mixture of infrastructure, property, retail and, where appropriate Australasian airports are referenced, to offer viable comparators. The remuneration committee's policy in relation to the remuneration of the leadership team is to target the average of the leadership team's base salary in the upper quartile of the relevant pay scales to ensure the attraction and retention of top talent to these roles. This does vary on performance and experience in the role – high performance with very strong experience would likely be above the average while new appointments would likely be below.

The short-term component of the performance incentive is an at risk component in addition to base salary and is payable in cash. The former chief executive's risk element under the short-term performance incentive was equivalent to 50% of base salary and the leadership team's is typically equivalent to 30% of base salary. The remainder of the senior managers participating in the short-term incentive typically have an amount of 20% of their base salary at risk on the same basis. The total number of staff included in the short-term incentive scheme is 37.

Half of the at risk element is based on the company's achievement of certain annual financial targets such as EBITDA, set by the board. The other half is based on the relevant senior manager's achievement of certain key performance indicators relevant to his or her role which are set annually by the chief executive and advised to the board. These are very much at risk targets and include stretch targets as well as baseline objectives with clear measures in place to determine achievement or non-achievement in any one year. For example, failure to achieve 90% of the financial target results in no payment of half of the at risk pay.

Long-term performance incentives include five historical types of long-term cash-based ('phantom') incentive plans. The plans are designed to assist in attracting and retaining key executives, and ensuring strong alignment of executive and company and shareholder interests. In a company with long term investment horizons, long lived assets and a high capital intensity such as Auckland Airport, it is essential that the company's key executives are incentivised to focus on long term value creation rather than just the next year's results. The leadership team participates in the long term incentive plans and this component of their remuneration typically represents 28-30% of base pay. Financial details of the five types of plans, including the number of phantom shares or options on issue and the current exercise price (if the phantom options were exercisable), is set out at note 26 of the Financial Statements.

The phantom plans are all similar and involve payment of a cash sum on the successful satisfaction of the terms of the plans. None include the issue of shares. The first and second of the current phantom plans were used in 2005, 2006, 2007 and 2008.

The first component involves the "deemed" allocation of shares at prevailing market value at the time of issue. All remaining allocations under this phantom share plan were exercised during the year. The value of the shares is paid to the executive after three years' qualifying service at market rate prevailing at the time, less the appropriate tax. Ordinary dividends are not taken into account.

The second component involves the deemed allocation of phantom options at prevailing market rates. The deemed exercise price is increased by the company's cost of equity each year, less dividends paid. Any benefit above the deemed exercise price is payable in cash, less tax, three to six years after allocation. Only three current employees and one former employee participate in these phantom option plans.

The following phantom option plans are those applying to the former chief executive and the current members of the leadership team. The third cash-based incentive plan, again a phantom option scheme, was utilised in the 2009, 2010 and 2011 calendar years and will be utilised in 2012. It involves the deemed allocation of options at prevailing market rates. The deemed exercise hurdle is increased by the company's cost of equity each year plus 1%. This stretch performance hurdle means that shareholders will already have received a fair return before executives begin to participate in the success of the company. It also sets a strong motivation for out-performance. If the exercise hurdle is exceeded and continues to be exceeded at the time of exercise (between three to five years after allocation) any benefit over the volume weighted average price of a share on the NZX over the 20 business days preceding exercise, less the deemed price at allocation, is paid to the employee, less tax.

The fourth phantom incentive plan relates to the former chief executive, Simon Moutter. Mr Moutter was granted three million phantom options upon the commencement of his employment. Mr Moutter is entitled to exercise up to one million phantom options at any time after the third anniversary of the date of his employment, up to a further one million options at any time following the fourth anniversary of the date of his employment and up to a further one million options at any time after the fifth anniversary of the date of his employment. The options are exercisable for a period of two years from the date they become exercisable, at which time any option which has not been exercised will automatically lapse. In addition, Mr Moutter may not give an exercise notice in respect of any option unless total shareholder return is equal to or greater than a compound annual pre-tax rate of 12 per cent per annum.

Mr Moutter resigned from the company on 9 August 2012 and his departure means he forfeits his entitlement to the final tranche of one million options granted at the commencement of his employment.

The fifth phantom incentive plan also relates to the former chief executive. It was established for Mr Moutter in August 2011 on substantially the same terms as the fourth plan, the only material difference being that it provides for a further 2 million options. 666,666 of the 2 million options become exercisable on 25 August 2013. A further 666,666 are exercisable on 25 August 2014; and the final 666,668 are exercisable on 25 August 2015. This incentive agreement has been forfeited following Mr Moutter's departure from the company. Mr Moutter does not participate in any of the other four cash-based plans discussed above.

The number of Phantom Options issued to participants under the plans is determined by applying the company's independently calculated cost of equity and an independent valuation of the option using Black-Scholes valuation methodologies to the percentage of the relevant participant's base salary which is the subject of this incentive. This is a process which is done annually.

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

The company also has run an employee share plan in the past and intends to in the future. Pursuant to this plan 285,600 shares were issued to 189 eligible employees on 21 May 2009. Payments for shares by participating staff are made by way of salary or wage deduction over a period of three years commencing from the issue date. A full description of the employee share plan is set out in note 26 of the notes to the financial statements.

At its meeting in August 2012 the Board resolved to conduct another employee share plan on substantially the same basis as that commenced in 2009.

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

Total remuneration packages for all employees in excess of \$100,000, are disclosed by band on page 117 of this report.

COMPLIANCE

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

Shareholder information

REPORTING ENTITY

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

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

STOCK EXCHANGE LISTINGS

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

During the year ending 30 June 2012, the company conducted an on-market buyback of 4,665,700 shares at an average acquisition price of \$2.3324 per share. The buyback was undertaken to match the shares issued under the company's dividend reinvestment plan in relation to the 2011 full year dividend. The company is not subject to chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (i.e., substantial holdings and takeovers). There is no current on-market buyback.

The company does not have any restricted securities, or securities subject to voluntary escrow on issue.

WAIVERS GRANTED BY THE NZX

The company was issued with waiver of Listing Rule 11.1.1 by NZX granted on 28 September 2011. This rule restricts an issuer of securities from imposing any restriction on the right of a holder of a quoted security to transfer that security, or any restriction upon registration of a properly completed transfer of quoted securities. The waiver was issued to permit the company to include terms in the trust deed relating to the issue of unsecured, unsubordinated retail bonds that restrict transfers if they result in either the transferor holding less than \$10,000 (if not zero) in principal amount in bonds or are of amounts that are not multiples of \$1,000.

The company also relied on a waiver of Listing Rule 7.11.1 granted on 17 February 2010. This rule requires that allotment of new securities must be made within five business days after the date on which applications for the securities close. This waiver was issued to enable shares issued under the company's dividend reinvestment plan to be issued on the same date as dividends are paid to shareholders not participating in the dividend reinvestment plan.

DISCIPLINARY ACTION TAKEN BY THE NZX OR THE ASX

Neither the NZX nor the ASX has taken any disciplinary action against the company during the financial year ending 30 June 2012.

REGULATORY ENVIRONMENT

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

The company is obliged to comply with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010, with disclosure financial statements required to be published in November each year.

AUDITORS

Deloitte has continued to act as auditors of the company, and has undertaken the audit of the financial statements for the 30 June 2012 year.

INDEMNITY AND INSURANCE

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

ENTRIES RECORDED IN THE INTERESTS REGISTER

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

No entries were made in the interests register of any subsidiary of the Company during the year.

DONATIONS

In accordance with section 211(1)(h) of the Companies Act 1993, the company records that it donated a total of \$23,851 to various charities during the year. The company's subsidiaries did not make any donations during the year.

EARNINGS PER SHARE

Earnings in cents per ordinary share were 10.76 cents in 2012 compared with 7.65 cents in 2011 and 2.36 cents in 2010.

CREDIT RATING

As at 15 August 2012, the Standard & Poor's long-term debt rating for the company was A- Stable Outlook and the short-term debt rating was A-2.

SUBSIDIARY COMPANY DIRECTORS

Peter Alexander and Paul Divers held office as directors of Auckland Airport Limited as at 30 June 2012. Mr Divers was appointed on 8 May 2012. Prior to that date Simon Moutter held office as a director of that company.

Simon Robertson and Charles Spillane held office as directors of Auckland Airport Holdings Limited as at 30 June 2012. Mr Robertson was appointed on 8 May 2012. Prior to that date Simon Moutter held office as a director of that company.

Simon Robertson and Charles Spillane held office as directors of Auckland Airport Holdings (No. 2) Limited as at 30 June 2012. Mr Spillane was appointed on 8 May 2012.

Directors of the company's subsidiaries do not receive any remuneration or other benefits in respect of their appointment.

ANNUAL MEETING OF SHAREHOLDERS

The company's annual meeting of shareholders will be held at the Genesis Theatre, TelstraClear Pacific Events Centre, 770-834 Great South Road, Manukau on 24 October 2012 at 2.00pm.

DIRECTORS' HOLDINGS AND DISCLOSURE OF INTERESTS

Directors held interests in the following shares in the company as at 30 June 2012:

| | | |
|--------------------------|---------------------------------------------------------------------|------------------------|
| Joan Withers | Held personally | 33,507 |
| Keith Turner | Held personally | 5,141 |
| John Brabazon | Held personally | 4,448 |
| Richard Didsbury | Held personally Held by associated persons | 4,448 24,542 |
| Brett Godfrey | Held personally | 3,875 |
| James Miller | Held personally Beneficially owned Held by associated persons | 18,218 8,500 531 |
| Justine Smyth | Held personally | 53,591 |
| Sir Henry van der Heyden | Held personally | 4,448 |

DISCLOSURE OF INTERESTS BY DIRECTORS

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

Joan Withers

Chair, Mighty River Power Limited
Deputy Chair, Television New Zealand Limited
Board Member, New Zealand Treasury Advisory Board
Trustee, The Tindall Foundation
Trustee, Louise Perkins Foundation
Trustee, Pure Advantage

Keith Turner

Director, Chorus Limited
Chair, Fisher & Paykel Appliances Holdings Limited
Chair, Solar City Limited
Director, Keith Turner & Associates
Director, Spark Infrastructure Pty Limited
Director, Waitaki Wind Limited

John Brabazon

Director, Clavell Capital Limited
Chair, Kern River Oil Corporation in the United States
Director, Brabazon Petroleum Limited
Chair, National Contract Services Limited

Richard Didsbury

Director, Hobsonville Land Company Limited
Director, Kiwi Income Property Trust
Director, Committee for Auckland Limited
Director, Sky City Entertainment Group Limited

Brett Godfrey

Director, Westjet Airlines Limited
Director, Tourism Australia

Henry van der Heyden

Chair, Fonterra Co-operative Group Limited
Chair, Tainui Group Holdings Limited
Director, Elevation Capital Management Limited (retired 31 August 2012)
Director, Manuka SA
Director, Pascaro Investments Limited
Director, Rabobank Australia
Director, Rabobank New Zealand Limited
Member, NZ International Business Forum
Member, Director Remuneration Committee, Zespri International

James Miller

Director, Mighty River Power Limited
Director, NZX Limited
Director, Clearing and Depository Limited
Board Member, Financial Markets Authority
Chair, Kingfish Limited (retired 31 August 2012)

Justine Smyth

Director, Telecom Corporation of New Zealand Limited
Board Member, Financial Markets Authority
Director, Lingerie Brands Limited
Chair, New Zealand Breast Cancer Foundation
Trustee, Pure Advantage

REMUNERATION OF EMPLOYEES

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

| Amount of remuneration | Employees |
|----------------------------|-----------|
| \$100,000 to \$110,000 | 24 |
| \$110,001 to \$120,000 | 10 |
| \$120,001 to \$130,000 | 6 |
| \$130,001 to \$140,000 | 8 |
| \$140,001 to \$150,000 | 3 |
| \$150,001 to \$160,000 | 2 |
| \$160,001 to \$170,000 | 3 |
| \$170,001 to \$180,000 | 2 |
| \$180,001 to \$190,000 | 8 |
| \$190,001 to \$200,000 | 2 |
| \$200,001 to \$210,000 | 1 |
| \$210,001 to \$220,000 | 3 |
| \$220,001 to \$230,000 | 2 |
| \$240,001 to \$250,000 | 1 |
| \$380,001 to \$390,000 | 1 |
| \$390,001 to \$400,000 | 1 |
| \$400,001 to \$410,000 | 2 |
| \$490,001 to \$500,000 | 1 |
| \$520,001 to \$530,000 | 1 |
| \$1,450,001 to \$1,460,000 | 1 |
| | 82 |

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

The company has long-term incentives in place for senior executives for the 2005, 2006, 2007, 2008, 2009, 2010 and 2011 calendar years (refer to note 26 in the financial statements); at balance date the value of these incentives was \$3.000 million.

None of the Company's subsidiaries have any employees or former employees.

Shareholder information CONTINUED

DISTRIBUTION OF ORDINARY SHARES AND SHAREHOLDERS

AS AT 15 AUGUST 2012

| Size of holding | Number of Shareholders | % | Number of Shares | % |
|------------------|------------------------|---------------|----------------------|---------------|
| 1 – 1,000 | 3,442 | 6.95 | 1,953,865 | 0.15 |
| 1,001 – 5,000 | 32,106 | 64.85 | 68,669,411 | 5.19 |
| 5,001 – 10,000 | 6,414 | 12.96 | 45,860,180 | 3.47 |
| 10,001 – 100,000 | 7,255 | 14.65 | 168,008,744 | 12.70 |
| 100,001 and over | 291 | 0.59 | 1,038,072,289 | 78.49 |
| Total | 49,508 | 100.00 | 1,322,564,489 | 100.00 |

SUBSTANTIAL SECURITY HOLDERS

Pursuant to section 26 of the Securities Amendment Act 1988, the following persons had given notice as at 15 August 2012 that they were substantial security holders in the company and held a 'relevant interest' in the number of ordinary shares shown below:

| Substantial security holder | Number of shares in which 'relevant interest' is held | Date of notice |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------|
| Auckland Council Investments Limited (through its wholly-owned subsidiaries, Auckland Council Investments (AIAL) Limited and Manukau City Investments Limited | 295,921,014 | 04.11.10 |
| Auckland Council Investments (AIAL) Limited | 165,501,630 | 04.11.10 |
| New Zealand Superannuation Fund Nominees Limited | 123,944,305 | 28.01.10 |
| Manukau City Investments Limited | 116,712,656 | 21.09.05 |
| H.R.L. Morrison & Co Group Limited | 87,275,444 | 10.11.09 |

The total number of voting securities on issue as at 15 August 2012 was 1,322,564,489.

TWENTY LARGEST SHAREHOLDERS

AS AT 15 AUGUST 2012

| Shareholder | Number of shares | % of capital |
|----------------------------------------------------------------|------------------|--------------|
| New Zealand Central Securities Depository Limited ¹ | 543,523,686 | 41.10 |
| Airport Shares (Auckland) Limited | 165,501,630 | 12.51 |
| Airport Shares (Manukau) Limited | 130,419,384 | 9.86 |
| Custodial Services Limited | 23,296,000 | 1.76 |
| J P Morgan Nominees Australia Limited | 15,115,528 | 1.14 |
| FNZ Custodians Limited | 10,397,109 | 0.79 |
| National Nominees Limited | 10,208,548 | 0.77 |
| Custodial Services Limited | 9,175,386 | 0.69 |
| RBC Investor Services Australia Nominees Pty Limited | 7,645,420 | 0.58 |
| Custodial Services Limited | 7,152,780 | 0.54 |
| FNZ Custodians Limited | 5,976,708 | 0.45 |
| Custodial Services Limited | 5,743,799 | 0.43 |
| Forsyth Barr Custodians Limited | 5,442,379 | 0.41 |
| Investment Custodial Services Limited | 4,998,675 | 0.38 |
| Masfen Securities Limited | 4,437,919 | 0.34 |
| Custodial Services Limited | 4,325,237 | 0.33 |
| New Zealand Depository Nominee Limited | 4,056,848 | 0.31 |
| Citicorp Nominees Pty Limited | 3,710,268 | 0.28 |
| HSBC Custody Nominees (Australia) Limited | 3,420,107 | 0.26 |
| Forsyth Barr Custodians Limited | 3,200,193 | 0.24 |

¹ New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 15 August 2012, the 10 largest shareholdings in the company held through NZCSD were:

| Shareholder | Number of shares | % of NZCSD Holding |
|-----------------------------------------|------------------|--------------------|
| NZ Superannuation Fund Nominees Limited | 130,516,489 | 24.01 |
| HSBC Nominees (New Zealand) Limited | 73,168,165 | 13.46 |
| JP Morgan Chase Bank | 69,531,810 | 12.79 |
| Accident Compensation Corporation | 48,354,820 | 8.90 |
| HSBC Nominees (New Zealand) Limited | 42,992,437 | 7.91 |
| National Nominees New Zealand Limited | 42,586,510 | 7.84 |
| Citibank Nominees (New Zealand) Limited | 31,101,623 | 5.72 |
| Cogent Nominees Limited | 14,131,140 | 2.60 |
| TEA Custodians Limited | 14,058,102 | 2.59 |
| Premier Nominees Limited | 12,451,827 | 2.29 |

Shareholder information CONTINUED

Investor information

COMPANY PUBLICATIONS

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

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

Please note that the annual meeting will be held at 2.00pm on 24 October 2012 this year at the TelstraClear Pacific Events Centre, Manukau.

VOTING RIGHTS

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

ENQUIRIES

Shareholders with enquiries about transactions, changes of address or dividend payments should contact Link Market Services Limited on +64 9 375 5998. Other questions should be directed to the company's corporate secretary at the registered office.

STOCK EXCHANGE

The company's ordinary shares trade on the NZSX and the ASX. The minimum marketable parcel on the NZX is 100 shares and in Australia a 'marketable parcel' is a parcel of securities of more than AU\$500.00. As at 15 August 2012, 48 shareholders on the ASX held fewer securities than a marketable parcel under the Listing Rules of the ASX.

DIVIDENDS

Shareholders may elect to have their dividends direct credited to their bank account. The Company also offers shareholders the opportunity to participate in a dividend reinvestment plan. The Board considers whether the plan will apply to a dividend at each dividend announcement. Details of this plan are available in the "Investors" section of the Company Website.

LIMITATIONS ON THE ACQUISITION OF THE COMPANY'S SECURITIES

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

- (a) Securities in the company are in general freely transferable. The only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand law relating to takeovers, overseas investment and competition.
- (b) The Takeovers Code creates a general rule under which the acquisition of more than 20 per cent of the voting rights in the company or the increase of an existing holding of 20 per cent or more of the voting rights in the company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90 per cent or more of the shares in the company.
- (c) The Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the Overseas Investment Office is likely to be required where an 'overseas person' acquires shares or an interest in shares in the company that amount to more than 25 per cent of the shares issued by the company or, if the overseas person already holds 25 per cent or more, the acquisition increases that holding.
- (d) The Commerce Act 1986 is likely to prevent a person from acquiring shares in the company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

Share Registrars

NEW ZEALAND

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Auckland 1142

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AUSTRALIA

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NSW 2000

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Phone: +61 2 8280 7111
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Corporate directory

DIRECTORS

Joan Withers, chair
 Keith Turner, deputy chair
 John Brabazon
 Richard Didsbury
 Brett Godfrey
 Sir Henry van der Heyden
 James Miller
 Justine Smyth

SENIOR MANAGEMENT

Simon Robertson, acting chief executive¹
 Peter Alexander, general manager property
 Adrian Littlewood, general manager retail and commercial
 Judy Nicholl, general manager aeronautical operations
 Charles Spillane, general manager corporate affairs
 Adam Tyrie, general manager master-planning and terminal development
 Glenn Wedlock, general manager aeronautical commercial

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 New Zealand

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 Website: www.aucklandairport.co.nz

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MAILING ADDRESS

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 PO Box 73020
 Auckland Airport
 Manukau 2150
 New Zealand

CORPORATE SECRETARY

Charles Spillane

AUDITORS

External auditor – Deloitte
 Internal auditor – Ernst & Young
 Share registry auditor – Grant Thornton

This Annual Report is dated 24 September 2012 and is signed on behalf of the board by:



Joan Withers

Chair of the board



Keith Turner

Director

¹ The previous chief executive, Simon Moutter announced his resignation on 23 April 2012 and the board is currently in the process of recruiting a new chief executive. Mr Robertson is the company's chief financial officer and has been appointed by the board to the role of acting chief executive until a replacement for Mr Moutter is appointed.



Online Review

View our interactive review at aucklandairport.co.nz/report which has been designed for ease of online use, with tablets in mind, and includes additional content.

aucklandairport.co.nz



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