Hamilton
International Airport

Annual Report
2008

CONTENTS

08 RESULTS AT A GLANCE

HIGHLIGHTS

$6.379 million
Earnings before tax, depreciation and interest up 41.2%

148,000+
Record aircraft movements up 24.5%

336,000+
Record domestic passenger numbers up 4.5%

$21.85 million
Property revaluation gain

86,694
International passenger numbers down 15.8%

Upgrades
Completed and opened the new domestic and international terminal – on time and to budget, carpark and roading investment completed, private plan change for 55ha property development submitted.

CHAIRMAN AND CEO'S JOINT ANNUAL REPORT

BUILDING THE BUSINESS

2007/08 represents a year of closing out projects at Hamilton International Airport (HIA) with a series of major capital and commercial projects being completed.

Significant projects completed during the year included the successful delivery of the new airport terminal, completed in the last quarter of 2007 and opened by Maori King Tuheitia and the Prime Minister, the Rt. Honourable Helen Clark, in December at an event which celebrated the history of the establishment of the airport through to present day.

SUSTAINABLE AIRPORT OPERATIONS

As well as the bricks and mortar projects, a series of commercial projects have been completed to underpin the sustainability of the airport including:

- **The completion of pricing consultation with airlines, covering aeronautical pricing and the domestic development levy.**
- **The sale of non-strategic land assets to reduce debt.**
- **The execution of a property joint venture contract to develop land surplus to aeronautical requirements.**

"A year of finishing projects"

JERRY RICKMAN - Chairman

CHRIS DOAK - Chief Executive Officer

FINANCIAL PERFORMANCE

Company surplus after taxation was $3.89 million compared to $2.7 million in 2007 with company operating revenue increased from $5.96 million in 2007 to $7.13 million in 2008. Revenue increased over all key revenue lines with the exception of concessions from the duty free store. Although departure fees increased overall, international departure fees decreased given a 15.8% drop in international passenger numbers due to a reduced schedule.

As at 30 June 2008, total assets amounted to $85.2 million, including current year revaluations of $21.85 million.

During the year the company continued on its path of debt reduction and the proceeds of non-strategic land sales was used to reduce debt from $21.2 million to $17.9 million.

	2008	2007
International passenger numbers, down 15.8%	86,694	103,016
Total operating revenue, up 19.6%	$7.127M	$5.961M
Landing charges, up 33.2%	$1.723M	$1.294M
Car park revenue, up 2.9%	$1.509M	$1.4670M
Rental Income, up 35.7%	$1.310M	$965,000
Departure fees up 13%	$1.560M	$1.380M
Interest paid, up 52%	$1.338M	$876,000
Total EBITDA up 41.2%	$6.379M	$4.517M
Operating EBITDA up 22.2%	$2.951M	$2.415M
Surplus after taxation up 43.2%	$3.887M	$2.714M
Capital Expenditure	$3.12M	$8.76M
Operating surplus before abnormals	$0.87M	$0.77M

The challenge remains for the company to balance the ongoing airport development with reducing indebtedness within the constraints of volatility within the aviation industry.

NEW INTERNATIONAL AND DOMESTIC TERMINAL

Significant advancements have been made in the Airport experience with passengers sampling the completed new terminal's facilities and services.

The completed terminal development has gone a long way to improving the quality of the travellers' airport experience.

Recently the Hamilton International Airport terminal development project was nominated for a New Zealand Property Council Award in the Category covering "Special Purpose" (Infrastructure) property.

Of the 19 entries within this specific category two national awards were made with the terminal project being nationally recognised with a merit award - in recognition of architectural use of an existing structure and enhanced standard of travel experience.

We would like to acknowledge the significant contributions made by a number of external organisations who helped deliver the project successfully including:

- Les Matthews of MSM Architects (architectural team leader),
- Carsons - now Coffey Group, (project manager),
- Hawkins Construction (prime contractor),
- Rider Hunt (quantity surveyor).

It is most pleasing that the project has been nationally recognised and in particular that the original vision for the terminal project has been validated as an appropriate project for the region.

Perhaps more importantly the new terminal has been well received by the travelling public for which it was intended.

RECORD AIRCRAFT MOVEMENTS

The 2007/2008 financial year saw total aircraft movements reach 148,000. This represents an annual increase in aircraft move-ments of 24% from the previous financial year.

Since 2003-04 Hamilton aircraft movements have increased 164%, and in the last 2 years have increased 69%.

Aircraft movement growth from the CTC Aviation Training Facility has significantly contributed to the rise in numbers and these numbers are predicted to increase further in the 2008/09 year.

DOMESTIC UP, INTERNATIONAL DOWN

The continued growth in domestic passengers has been offset by a reduction in international passengers. These changes in passenger numbers have been driven by Air New Zealand increasing domestic flights while reducing the international schedule.

Domestic

In 2007/08 domestic passenger numbers grew at 4.6%. This result reflects a growth in Air New Zealand's domestic operations. In particular, additional daily flights to Christchurch have been scheduled during the year, which has resulted in a significant increase in passengers to Christchurch.

Additional domestic capacity was also added by Air New Zealand through the phasing out of the Saab 340A 33 seat aircraft and the introduction of the larger 50 seat Bombardier Q300.

International

The loss of international flights to both Melbourne and Fiji resulted in a 15.8% reduction in international passengers from 104,000 in 2006/07 to 87,000 in 2007/08.

Air New Zealand took over Freedom Air's international operations on 31 March 2008, with the introduction of a full-service trans-Tasman flight.

International passenger numbers on Hamilton Airport's other routes to Sydney, the Gold Coast and Brisbane were down 4% for the year. In particular, Sydney load factors are low.

Given increased competition, domestic and international passenger leakage to Auckland is a significant issue for HIA going forward. This issue is contributing to the risk of reduced international services, or in the worst case scenario losing international flights altogether – as seen at other regions in New Zealand.

In its own right, the Airport has embarked on marketing campaigns to get awareness of services up, and to educate the traveller on the benefits of using their local airport. In particular, a significant reduction in the price for international car parking is providing a clear value incentive to travellers.

Norfolk Air also flew two charter flights from Norfolk Island to Hamilton in April 2008 to coincide with the Hamilton's V8 Supercar racing event – which represented the first new international carrier for some years.

HIA continues to work to protect and grow international services on behalf of our region - noting in particular the volatility of fuel prices, the large increases in trans-Tasman capacity out of Auckland, and the plans for Rotorua to commence their own international operations - all of which have a significant impact on HIA's operations moving forward.

The local community needs to increase their support of HIA to ensure the region has the best opportunity to protect and grow its international connection.

DEVELOPING AIRPORT CAPABILITY

As well as the terminal project, a number of other large scale capital works have been initiated this year.

Construction was completed on the upgrade of our car park, which is able to accommodate approximately 600 sealed car park spaces. This included the sealing the existing grass car park area, construction of designated taxi and shuttle lanes opposite the terminal, and pay station upgrades also being completed for greater convenience. In closing out the main terminal project, a new pay station building is planned for construction in 2008-09 immediately opposite the terminal to allow for a conveniently covered location to pay.

Capital works undertaken with 2007/08 financial year included:

- Completion of the staged delivery of a $15.5M new domestic and international terminal project.
- Asphalt sealing of those areas within the car park that were previously in grass plus redevelopment of the terminal forecourt, taxi and shuttle lane areas ($750,000).
- Asphalt resurfacing work to the shoulder areas of the main runway - in accordance with the 10 year pavement investment programme.
- Construction of a sealed equipment parking area in support of ground handling equipment for recent Air New Zealand aircraft hold stow baggage containerisation.

As well as the Airport driven projects a number of capital works projects completed by airport tenants have developed greater capability at the airport:

- Construction of a flight kitchen and quarantine facility by Air New Zealand in support of 'full service' in flight catering for international operations.
- Construction of a new hanger facility by Eagle Air, capable of accommodating 2 Beech 1900D aircraft for maintenance.
- Construction of an additional aircraft parking apron at the CTC Training facility.

RETAIL, CAFÉ, and DUTY FREE EXPERIENCE

We were delighted to complete a successful first year of operation of the enhanced retail offering with the Paper Plus and Lotto store showing a profit in its first year of operation. As well as providing a general store and airport information, it is a convenient place to pay domestic departure fees and facilitates a terminal audits capability to monitor cleanliness.

The three new food and beverage cafés have been operating since June 2007 and separate vending machines are also in place.

The expanded duty free arrival and departure stores have provided a much improved tax free shopping experience at the airport with a vast product range for the traveller.

AERONAUTICAL ASSET – CONDITION ASSESSMENT

The Airport engaged BECA Infrastructure to undertake the annual condition and structural assessment of the current runway, apron and taxiway areas. Findings of the assessment confirm that the structural integrity of the paved surface remains in good condition.

The continuation of resurfacing upgrades will be progressively implemented in line with the established 10 year pavement investment programme.

Looking forward, the Airport has a programme to explore the viability of extending the runway (currently 2200m). An economic benefit study is programmed for completion in the 2008-09 year. The fact that HIA owns strategic land holdings to the north puts Hamilton Airport in a strong position to extend when required.

"protecting and growing passenger numbers"

"Growing Airport utilisation"

TITANIUM PARK – COMMERCIAL BUSINESS PARK

The major commercial and industrial development planned for the southern outskirts of Hamilton in the Waipa District Council area involves some 117 hectares of land bordering Hamilton International Airport's aeronautical asset.

The Titanium Park development, a joint venture between Hamilton International Airport and McConnell Property, will house a balanced mix of commercial, industrial, manufacturing and aviation enterprises, and provide a range of purchase options catering to businesses of all sizes.

The new development will be a welcome relief to the local industrial and commercial market. Titanium Park is sited strategically between State Highways 1, 3 and 21, and is at the heart of one of New Zealand's leading export regions. It will provide a valuable resource for existing and new businesses, and should help underpin the region's strong economic progress.

During the past year, significant airside and landside master planning has been completed with a plan change application being submitted by the Airport in March 2008, and hearings completed in June 2008. At the time of writing, public release of the plan change application outcome was imminent.

Given a successful outcome, the joint venture partners will work towards finalising a start date for construction.

FREIGHT SURVEY RESULTS

During this year more work was completed outlining the opportunity to develop a plan to increase freight activities out of the airport. Up to 80% of freight is carried in the holds of passenger aircraft.

Initial studies show a substantial quantity of New Zealand's exported airfreight is being produced in or transported through the Waikato - with the two largest markets being Australia and Asia. In particular

- HIA has the potential in the future to target national distribution businesses to save transportation costs.
- Long term, another potentially viable opportunity for HIA would be to look to the region to develop a rail spur into the airport.

HIA needs to do more work with export companies and freight forwarders to develop the ideas on how to kick start this project.

SAFE, SECURE, AND COMPLIANT

The Airport continues to meet its Civil Aviation Authority certification obligations in operating an international airport, with successful audits regarding its safety and security operational requirements.

This year HIA has developed a corporate compliance programme – which has been adopted for the 2008/09 year.

WHAT THE TRAVELLING PUBLIC ARE SAYING

HIA completed the ("ACI") Airports Council International standard Customer Service survey to track performance on behalf of its customers. This internationally benchmarked survey helps identify opportunities for the Airport to improve service delivery to its customers.

The results put HIA toward the top quartile of responses in the world and HIA is now the subject of a benchmark case study for airport service quality improvements for ACI. The turnaround in the customer experience provided by the new terminal investment outlines HIA's commitment to improved customer services, facilities and satisfaction.

Also, as part of this commitment to improvement, the Airport has a formal register for customer feedback issues. Projects that have been initiated as a direct result of customer feedback include:

- Wifi internet access, with free internet kiosks shortly to be installed.
- Customer feedback cards for the café offering.
- Expanding the product offering at the airport Paper Plus.
- Car park incentives for international travel.

GENERAL AVIATION GROWTH

CTC Flight Training organisation has continued to operate successfully at Hamilton Airport.

Aircraft movements have increased by 190% over the last 5 years, from 51,000 movements in 2002-03 to 148,000 movements in 2007-08.

The grass runways usage has increased significantly from general aviation growth - given the large increased volume of pilot training traffic from increased CTC and Waikato Aero Club's operations.

The two of the three grass runways have needed to be closed during the winter months for reforming and remedial works and to allow grass regeneration to take affect.

CTC have disclosed increasing pilot numbers moving forward. This puts more emphasis on defining options for sealed solutions and/or looking at providing displaced runway solutions on grass 180 360.

Discussions are underway with the Waikato Aviation Cluster and users to define a commercial solution to this problem that would allow HIA to invest in sealed taxiways and/or a sealed GA runway – in support of GA growth.

AIRPORT RESTRUCTURING

A series of role changes have been made to the structure of the airport management team. This is in recognition of the changing environment at HIA given:

- Recognition of the increased financial reporting requirements of IFRS, and the ongoing management of HIA's property joint venture with McConnell Property Group, and
- HIA's desire to be supportive of its airline customers given the delicate nature of airlines operations in the current high fuel cost environment.

A Chief Financial Officer has been appointed.

A new Marketing Manager role has been established with a greater emphasis placed on route protection, route development, and owning the customer experience at the airport.

ECONOMIC BENEFIT STUDY

HIA is to commission a study into the economic benefit to the region of a runway extension, of new international and domestic routes and the effects of any increased services at the airport. This will include the shareholders long term requirements of the airport in terms of facilities at the airport, passenger routes and air freight.

The outcomes of this study will form a basis for the development of the business case for any major investments in the aeronautical assets at the airport.

LOOKING FORWARD

Over the next twelve months it is important to acknowledge the strain that high fuel costs are placing on the economy in general, airlines and the flow on risks to the airport's international schedule.

In particular, travellers need to show their support by choosing to fly to Australia from their local airport to ensure international operations continue and grow.

As for any regional infrastructure business, HIA has an obligation to provide infrastructure and capability according to the demands of the region.

Likewise, the regional stakeholder's have an obligation to come together in a co-ordinated fashion. HIA signals that there is a need for a co-ordinated fully funded regional economic development agency.

The airport sends the clear message that without a concerted effort by regional stakeholders to act in support of the Airport's protect and grow strategies, the region runs the risk of reduced international services.

Airlines fly to destinations, and it is the responsibility of the regional catchments and stakeholders to join together and project a unified approach to in-bound tourism that is credible, functional, and successful in attracting visitors to the region.

HIA's marketing programme has been designed to support our major airline customers and proactively support our schedule. In the future, regional support and marketing initiatives will be critical aspects in maintaining and developing serviced destinations.

HIA will continue to monitor the performance of the main and grass runways, and develop the economic benefit of lengthening the main runway.

Bedding in the property joint venture (post plan change) is a goal with the first turn of earth planned in the new calendar year.

Regulatory submissions will be required this year as the Ministry of Transport continues to monitor regional airport requirements for regulation.

HIA will respond to any increased levels of domestic security and passenger screening – as required by the MOT security reviews underway.

ACKNOWLEDGING PEOPLE

We would like to thank our five council shareholders for their continued support during this busy year.

Mr John Spencer has ended his directorship with the airport this year after nearly two years on the Board. John's experience in the property industry and his finance and audit experience was an invaluable contribution to the development of the airport.

Kit Jefferies tenure as Financial Controller has closed this year, spanning eight years. Kit started at the airport in 2000 and worked for three CEOs and three Chairmen during his time here. We would like to thank Kit for his contributions to the airport during this time. Kit's knowledge and experience of the airport will be missed.

Business Development Manager Rosemary Poole left the airport in May 2008. Rosemary started work at the airport in February 2000 when Barry O'Connor was CEO, and also worked with Hugh McCarrol until his retirement. We would like to thank Rosemary for her contribution, in particular the implementation of the Paper Plus, the new Café, and terminal opening projects which were most successful. We wish her all the very best in her new endeavours.

To the team at HIA, it has been another exciting twelve months of project delivery and closeout and our thanks go to each of you for your contributions during a year of change in the industry.

Finally we would like to acknowledge and thank the traveller for their support during the year, and the positive feedback we have received for the new terminal. We would like to encourage you to use your local airport and support the regional airlines that allow travel to be "Faster, Cheaper, and Direct".

J.J RICKMAN - Chairman

C.G DOAK - Chief Executive Officer

"Faster, Cheaper, and Direct"

STRATEGIC INTENT

The Airport has identified eight strategic goals that recognise the strategic intent of the business:

1. Deliver sustainable airport operations for the North Island
2. Become the leading freight and distribution hub in the central North Island
3. Grow national and international connectivity to the region
4. Utilise airport property to promote economic development in the region
5. Develop airport capability according to the customer and connectivity requirements
6. Position and promote HIA as the preferred North Island regional airport
7. Deliver value to our customers
8. Enable our people to deliver

Rt. Honourable Helen Clark, and Maori King Tuheitia
Official opening of the HIA terminal, 06/12/2007

1. DELIVER SUSTAINABLE AIRPORT OPERATIONS FOR THE NORTH ISLAND

- **Achieve social and commercial imperatives of the shareholder**
- **Develop regulated and non-regulated income diversity**
- **Increase national and international air capacity**
- **Increase departing national and international passenger numbers**
- **Provide a level playing field for all airline operators**
- **Maintain competitive costs and pricing structures**
- **Operate a safe and secure environment**
- **Manage business and regulatory risk**
- **Optimise our assets**
- **Be a good corporate citizen.**

Achievements:

- Pricing consultation on airport charges completed
- Domestic development levy secured in support of the terminal investment
- Car park sealing project completed, including upgraded car park equipment, with increased revenue
- Rolling 5 year strategic plan, capital and maintenance plans updated
- Initiated long term aeronautical master plan for airport development
- 10 year aeronautical pavement maintenance programme review updated
- Identified non-strategic land sold for debt reduction
- Annual CAA and Security Audit assessments successfully completed
- Initiated corporate compliance programme to ensure compliance with strategic, legislative, contractual, local authority and internal policy obligations
- Continued sponsorship of the Aviation Cluster and the Waikato Aero Club training organisation.

2. BECOME A LEADING FREIGHT AND DISTRIBUTION HUB IN THE CENTRAL NORTH ISLAND

- **Understand the regional and national demands for freight**
- **Develop national and international airfreight operations according to demand**
- **Develop a freight and distribution land port at HIA.**

Achievements:

- Regional freight survey completed in conjunction with Katolyst Group
- Land rezoning application submitted for Titanium Park property development
- Plan change hearing completed in support of a freight and distribution hub
- 115ha purchased in support of future airport development.

3. GROW NATIONAL AND INTERNATIONAL CONNECTIVITY TO THE REGION

- **Provide for the air transport requirements of our regional community**
- **Increase passenger and freight destinations according to demand.**

Achievements:

- 7.8% growth in domestic schedule, 4.5% growth in domestic passengers
- Increased daily flights from Hamilton to Christchurch - five additional Q300 flights per week
- 16% reduction in the international schedule (Melbourne and Fiji routes)
- Strategic marketing plan developed for route retention and route development
- Overall 24% increase in aircraft movements – driven from general aviation volume increases
- Charter connection to Norfolk Island.

4. UTILISE AIRPORT PROPERTY TO PROMOTE ECONOMIC DEVELOPMENT IN THE REGION

- **Deliver a land strategy in support of airport sustainability**
- **Grow diversified revenue streams from property development**
- **Work with development agencies and aviation cluster to promote business activity around the airport**
- **Effectively and efficiently engage in commercial land developments**
- **Be an enabler for economic development in the region.**

Achievements:

- Implemented master plan for non-aeronautical land use in support of property joint venture
- Non-strategic, non-aeronautical land identified and sold for debt reduction
- Signed Property Development Joint Venture contract to develop surplus land
- Jointly purchased 115ha of strategic land holdings in support of Titanium Park property joint venture
- Plan change application completed and submitted to council in support of rezoning to Airport Business Zone (commercial and industrial)
- Jointly developed the Waikato aviation cluster strategic plan, business plan, and budget
- Completed profitable first year of the airport owned and operated Paper Plus retail outlet.

5. DEVELOP AIRPORT CAPABILITY ACCORDING TO THE CUSTOMER AND CONNECTIVITY REQUIREMENTS

- **Understand the long term customer requirement**
- **Deliver terminal development projects in support of requirement**
- **Deliver runway, taxiway, and apron development programmes in support of regional demand.**

Achievements:

- Completed and opened the $15.5M new domestic and international terminal project – on time to budget – delivering an enhanced terminal experience to the traveller
- Achieved a New Zealand Property Council merit award for the new terminal - acknowledging the efficient use of an existing building
- Completed first year of operation of the new terminal food and beverage cafés
- Completed the car park and terminal access road upgrade
- Developed preliminary cost models for proposed runway extension investments
- Jointly participated in the Hamilton City strategic planning committee for regional input into airport developments, including the regional economic benefit of a runway extension, new routes, freight, and impacts of increased competition
- Air New Zealand investments completed in full service flights and new flight kitchen facilities
- Introduction of A320 containerisation for baggage loading and unloading – allowing divert ability within the Air New Zealand group.

6. POSITION AND PROMOTE HIA AS THE PREFERRED NORTH ISLAND REGIONAL AIRPORT

- Jointly work to understand the regional customer requirement
- Jointly promote the region and develop HIA route attractiveness
- Jointly develop effective feeder transport networks to/from HIA
- Promote HIA capability to national and international operators.

Achievements:

- Conducted regional catchment survey of 1300 people to document catchment behaviours and traveller requirements
- Presented regional impacts of airline attraction and retention to stakeholders
- Policy developed for the development and retention of routes
- Regular stakeholder updates delivered.

7. DELIVER VALUE TO OUR CUSTOMERS

- Partner with customers to deliver value
- Deliver our relationship management goals
- Ensure high availability of the airport
- Conduct regular customer satisfaction surveys
- Benchmark airport operations nationally and internationally.

Achievements:

- Delivered an improved customer experience via the terminal development project
- Completed ACI international airport benchmarking survey for customer feedback, showing above average performance
- Implemented formal complaints procedure
- Implemented formal customer feedback system for café and terminal
- Completed airport benchmark assessment
- Published land valuation and pricing methodology papers to tenants and users
- Airport availability 100% for controllable outcomes.

8. ENABLE OUR PEOPLE TO DELIVER

- Have ethical skilled staff to deliver the strategic plan
- Foster accountability and performance as core values
- Develop a working environment where staff feel valued and achieve.

Achievements:

- Updated rolling 5 year strategic plan, annual business plan, and budget under pinned with individual management action plans
- Restructured management team functions introducing Chief Financial Officer, Finance 2IC, and Marketing Manager roles
- Celebrated success of major capital project delivery for terminal and property development projects, personally and publically acknowledging key performances of staff.

DIRECTORS

JERRY RICKMAN
(Chairman)

BARRY COOMBES

ALASTAIR CALDER

JOHN BIRCH

JOHN SPENCER

MANAGEMENT TEAM

JON CURRAN
Chief Financial Officer

SIMON HOLLINGER
Operations Manager

CHRIS DOAK
Chief Executive Officer

REBECCA EVANS
Marketing Manager

ANDREW TOOP
Commercial Manager
Growth & Development

INDEX TO THE FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	NOTE	Parent & Group 2008 $	Parent & Group 2007 $
REVENUE			
Operating Revenue	15	7,126,775	5,961,404
Other Revenue	16	32	32
Other Gains/Losses	17	3,427,645	2,102,165
Finance income		36,321	18,439
TOTAL REVENUE AND OTHER INCOME		**10,590,773**	**8,082,040**
EXPENSES			
Operating Expenses		2,613,379	2,068,056
Employee Benefit Expenses	24	1,436,193	1,297,465
Bad Debts Written Off		3,485	9,585
Depreciation and Amortisation	20	1,130,314	837,535
Directors Fees		100,050	87,000
Donations		60	60
Interest - Fixed Loans		1,330,760	857,707
Interest - Other		7,464	18,186
Remuneration of Auditor - Audit Fees Financial Statements		46,900	22,500
- Audit Fees NZ IFRS Transition		0	7,500
- Other Services		0	500
Asset Impairment/Revaluation Deficit	33	0	0
Loss on Disposal of Assets	34	11,791	72,173
TOTAL EXPENSES		**6,680,396**	**5,278,267**
Operating Surplus/(Loss) Before Taxation		3,910,377	2,803,773
Taxation	21	23,016	89,496
OPERATING SURPLUS AFTER TAXATION	**19**	**3,887,361**	**2,714,277**

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	NOTE	Parent & Group 2008 $	Parent & Group 2007 $
BALANCE AT 1 JULY		**37,364,442**	**34,491,528**
Surplus/ (Deficit) for the year	19	3,887,361	2,714,277
Revaluations	11	19,067,797	158,637
Total Recognised Revenues & Expenses		**22,955,158**	**2,872,914**
TOTAL EQUITY AT YEAR END		**60,319,600**	**37,364,442**

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	NOTE	Parent & Group 2008 $	Parent & Group 2007 $
EQUITY			
Share Capital	11	2,860,000	2,860,000
Asset Revaluation Reserve	11	38,592,143	21,822,130
Retained Earnings	11	18,867,457	12,682,312
SHAREHOLDER EQUITY		**60,319,600**	**37,364,442**
Represented by:			
CURRENT ASSETS			
Cash and Cash Equivalents	7	264,693	169,346
Trade and Other Receivables	4	764,586	902,253
Prepayments		141,522	116,732
Properties Available for Sale	29	5,993,418	1,998,413
Derivative Financial Instruments	27	569,346	935,512
Inventories		79,744	63,570
Tax Receivable		124,187	94,675
		7,937,496	**4,280,501**
CURRENT LIABILITIES			
Term Liabilities – Current Portion	10	0	2,025,000
Payables & Accruals	3	1,530,710	2,519,200
Employee Benefit Liabilities	25	219,236	244,243
Income in Advance		141,911	164,030
		1,891,857	**4,952,473**
WORKING CAPITAL SURPLUS / (DEFICIT)		**6,045,639**	**(671,972)**
NON CURRENT ASSETS			
Property, Plant & Equipment	8	68,363,476	48,467,531
Investment Property	30	8,672,499	10,787,000
Other Financial Assets	28	25,663	25,663
Intangible Assets	32	0	3,275
Investment in Subsidiary	12	0	0
Other Assets	23	156,790	166,007
		77,218,428	**59,449,476**
NON CURRENT LIABILITIES			
Term Loans	10	17,925,000	19,200,000
Deferred Taxation	22	5,019,467	2,213,062
		22,944,467	**21,413,062**
NET ASSETS		**60,319,600**	**37,364,442**

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2008

	NOTE	Parent & Group 2008 $	Parent & Group 2007 $
CASH FLOW FROM OPERATING ACTIVITIES			
Operating revenue		8,130,712	5,727,494
Interest received		36,321	18,481
Payments to suppliers and employees		(4,607,719)	(2,807,290)
Income taxes paid		(31,978)	(120,412)
GST (Net)		(526,701)	509,878
Interest paid		(1,362,645)	(728,800)
Net cash from operating activities	19	**1,637,990**	**2,599,351**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,684,854	155,644
Proceeds from sale of investments		0	9,223
Proceeds from sale of properties available for sale		3,535,868	0
Acquisition of investments		(7,434)	(24,000)
Purchase of property, plant and equipment		(3,455,931)	(9,315,571)
Net cash from investing activities		**1,757,357**	**(9,174,704)**
CASHFLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		0	21,225,000
Repayment of borrowings		(3,300,000)	(14,750,000)
Net cash from financing activities		**(3,300,000)**	**6,475,000**
Net decrease in cash and cash equivalents		**95,347**	**(100,353)**
Cash and cash equivalents at the beginning of the year		169,346	269,699
Cash and cash equivalents at the end of the year	7	**264,693**	**169,346**

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The financial statements are those of Waikato Regional Airport Limited (trading as Hamilton International Airport). Waikato Regional Airport Limited ('the Company') is a company registered under the Companies Act 1993, and a reporting entity for the purposes of the Financial Reporting Act 1993.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Airport Road, Hamilton.

The Group consists of Waikato Regional Airport Limited and its subsidiary Titanium Park Limited.

The primary objective of Waikato Regional Airport Limited is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Waikato Regional Airport Limited has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financing Reporting Standards (NZ IFRS). The Company operations are providing airport facilities for aircraft and travellers in order to provide international and domestic flight connectivity.

The financial statements of Waikato Regional Airport Limited are for the year ended 30 June 2008. The financial statements were authorised for issue by the Company on 22 September 2008.

Basis for Preparation

The financial statements of the Company have been prepared in accordance with the Companies Act 1993, the Local Government Act 2002, the Airport Authorities Act 1966 and the Financial Reporting Act 1993.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, investment property, and financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars. The functional currency of Waikato Regional Airport Limited is New Zealand dollars.

Subsidiary and Consolidation

Owing to the fact that the subsidiary has yet to trade, separate disclosure of consolidated figures from the parent has not been necessary.

Specific Accounting Policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied:

a) Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

b) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

c) Inventories

Stock on hand has been valued at the lower of cost and net realisable value on the first in, first out basis, after due allowance for damaged and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

d) Property, Plant and Equipment

Property, plant and equipment consist of:

- **Operational Assets** - These include land, buildings, security fences, furniture and fittings, computer equipment, motor vehicles and plant and equipment.
- **Infrastructure Assets** – These include runways, aprons and taxiways, other paved areas and underground-reticulated systems.

Property, plant and equipment are shown at cost, or valuation less accumulated depreciation and impairment losses.

Classification

There are eight classes of property, plant and equipment

- Freehold Land
- Freehold Buildings
- Runways, Aprons and Taxiways
- Other Paved Areas
- Motor Vehicles
- Plant and Equipment, Computer Equipment and Furniture
- Fencing
- Underground Reticulated Systems

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the income statement.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the assets over their estimated useful lives.

The estimated useful lives of the major classes of assets are:

Buildings	40 - 50 years
Runways, Aprons and Taxiways	2 - 55 years
Other Paved Areas	40 years
Motor Vehicles	5 - 15 years
Furniture and Fittings	3 - 10 years
Plant and Equipment	3 - 10 years
Computer Equipment	2 - 4 years
Fencing	5 - 15 years
Reticulated Systems	8 - 15 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Revaluation

Those asset classes consisting of Buildings, Runways, Aprons and Taxiways; Other Paved areas; Fencing; and Reticulated Systems that are revalued are valued on a five-yearly valuation cycle on the basis described below. All other assets are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Operational land and buildings

At fair value determined from market-based evidence. All valuations are undertaken or reviewed by an independent registered valuer and are usually carried out on a five-year cycle.

Infrastructure assets

At fair value determined on a depreciated replacement cost basis by an independent registered valuer and are usually carried out on a five-year cycle.

e) **Intangible Assets**

Software Acquisition

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Company's website are recognised as an expense when incurred.

Amortisation

Computer software licences are amortised on a straight-line basis over their estimated useful life of 3 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the income statement.

f) **Taxation**

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

g) **Goods and Services Tax**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

h) **Investments**

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

i) **Employee Entitlements**

Short-term benefits

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Company anticipates it will be used by staff to cover those future absences.

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

j) **Statement of Cash Flows**

Operating activities include cash received from all income sources of the Company and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Company.

k) **Financial Instruments**

The Company is party to financial instruments with off balance sheet risk to meet financing needs. These financial instruments include a bank overdraft facility and interest rate swap agreements. The Company enters into interest rate swap agreements to reduce the impact of changes in interest rates on its borrowings. Any difference to be paid is accrued as interest rates change, and is recognised as a component of interest expense over the life of the agreement.

Revenues and expenses in relation to all financial instruments are recognised in the income statement and are shown in the balance sheet at their estimated fair value.

l) **Operating Leases**

Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownerships of the leased items, are recognised in the determination of the operating surplus in equal instalments over the lease term. Rental income is recognized net of incentives given to the lessee.

m) **Capitalisation Policy**

Capitalisation of expenditure is incurred when the expenditure was made to enable the future economic benefits embodied in an item to be obtained, and the expenditure would have been included in the cost of the item when the item was initially recognised had the expenditure been incurred at that time.

n) **Revenue**

Revenue is measured at the fair value of consideration received.

Operating Revenue
Operating revenue is recognised when payable.

Other Revenue
Interest income is recognised using the effective interest method.

Income in advance
Income is recorded as income in advance when it relates to future periods upon receipt.

o) **Rental Income**

Rental income arising on property owned by the Company is accounted for on a straight line basis over the lease term.

p) **Borrowing Costs**

Except where related borrowing costs are capitalised against specific capital projects, borrowing costs are recognised as an expense in the period in which they are incurred.

Capitalisation of borrowing costs ceased upon completion of the terminal building project in October 2007.

q) **Financial assets and financial liabilities**

The Company classifies its financial assets into the following four categories:-

- financial assets at fair value through profit or loss
- held to maturity investments
- loans and receivables; and
- financial assets at fair value through equity.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the income statement.

Purchases and sales of investments are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash-flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

- ***Financial assets at fair value through Income Statement***

  This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

  After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the income statement.

  Financial assets in this category include interest rate swaps.

- ***Held to maturity***

  Held to maturity investments are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity.

- ***Loans and receivables***

  These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

  After initial recognition they are measured at amortisation cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement. Loans and receivables are classified as “trade and other receivables” in the balance sheet.

- ***Financial assets at fair value through equity***

  Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

  After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the income statement. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the income statement even though the asset has not been derecognised.

On de-recognition the cumulative gains or losses previously recognised in equity are recognised in the balance sheet.

r) Impairment of financial assets

At each balance sheet date the Company assesses whether there is any objective evidence that a financial asset or group of financial asset is impaired. Any impairment losses are recognised in the income statement.

s) Accounting for derivative financial instruments

The Company uses derivative financial instruments to hedge exposure to interest rate risks arising from financial activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date.

The gain or loss from re-measuring derivatives at fair value is recognised in the income statement.

t) Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Company measures all investment property at fair values as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the income statement.

u) Impairment of non financial assets

Non financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it’s remaining future economic benefits or service potential.

The value in use for cash generating assets is the present value of expected future cashflows.

If an asset’s carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the income statement.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the income statement.

The reversal of an impairment loss on a re-valued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the income statement, a reversal of the impairment loss is also recognised in the income statement.

For assets not carried at a re-valued amount the reversal of an impairment loss is recognised in the income statement.

v) Non current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as ‘Held for Sale’, non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as ‘Held for Sale’ are included in the income statement.

w) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

x) Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

y) Share capital

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

z) Critical Accounting Estimates and Assumptions

In preparing these financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the income statement, and carrying amount of the asset in the balance sheet. The Company minimizes the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second-hand market prices for similar assets; and
- analysis of prior asset sales.

The Company has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 8.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Changes in Accounting Policies

There have been no changes to accounting policies during the year.

2. FINANCIAL RISK

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings.

Risk management is carried out by the Company's board of directors. The board identifies and evaluates financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as interest-rate risk, credit risk, and investing excess liquidity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

3. PAYABLES AND ACCRUALS

	Parent & Group 2008 $	Parent & Group 2007 $
Accounts Payable	745,434	1,021,759
Accruals	785,276	1,497,441
	1,530,710	**2,519,200**

4. TRADE AND OTHER RECEIVABLES

	Parent & Group 2008 $	Parent & Group 2007 $
Gross trade and other receivables	764,586	902,253
Less provision for impairment	0	0
Total trade and other receivables	**764,586**	**902,253**

The carrying amount of receivables that are past due date, but not impaired, whose terms have been renegotiated is nil. (2007 - nil).

As at 30 June 2008 and 2007, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2008			2007		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	405,711	0	405,711	665,389	0	665,389
Past due 0-30 days	52,757	0	52,757	23,879	0	23,879
Past due 31-60 days	26,271	0	26,271	24,201	0	24,201
Past due 61-90 days	23,651	0	23,651	1,172	0	1,172
Past due > 91 days	256,196	0	256,196	187,612	0	187,612
TOTAL	**764,586**		**764,586**	**902,253**	**0**	**902,253**

WRAL holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The provision for impairment has been calculated based on expected losses for the Company's pool of debtors.

Expected losses have been determined based on an analysis of the Company's losses in previous periods, and review of specific debtors.

Those specific debtors that are insolvent are fully provided for. As at 30 June 2008 the Company has identified no debtors that are insolvent.

No debtors that are insolvent

Receivables written off during period

5. COMMITMENTS

	Parent & Group 2008 $	Parent & Group 2007 $
Capital		
Terminal & Car Park Upgrades	0	1,925,843
Land Purchase (1)	4,631,854	4,631,854
Fire Trucks (2)	882,000	0
	5,513,854	**6,557,697**
Other		
Share Generator & Cable	123,905	140,611

1. *In April 2007 the Company nominated Hamilton City Council to purchase on its behalf a one-half share in a farming property immediately adjacent to the airport's northern boundary.*

   The Company has an agreement with the Council to repurchase the one-half share in the land owned by the Council on the 1st June 2010 at a price equivalent to that originally paid by the Council together with interest that accrues and compounds annually up to that date.

2. *The company has an agreement to purchase three fire trucks with a payment due for two trucks in August 2008 on their delivery, and a payment for the remaining truck on taking delivery in approx. August 2009.*

Joint Venture

On 28 June 2004 the Company established a wholly owned subsidiary Hamilton Airport Property Group Limited (HAPGL) - now renamed Titanium Park Limited - for the purpose of developing a portion of the non-aeronautical land owned by the Company for commercial, industrial and retail purposes.

The Company will transfer 62 hectares of land (out of a total of 250 hectares of land owned by the Company) to Titanium Park Limited during the 2008/2009 financial year at an agreed value of $10.75M.

The company through its fully owned subsidiary, Titanium Park Limited, entered into a Joint Venture agreement with Titanium Park Development Limited and McConnell Property Limited on 21 December 2007. The purpose of the Joint Venture is to develop and market the land transferred. A Plan Change application to rezone the land is lodged with Waipa District Council and the master-planning to create the Titanium Park community is underway. It is anticipated that land development works will commence in early 2009.

6. CONTINGENT LIABILITIES

The Company has no contingent liabilities. (2007: $268,000)

7. CASH AND CASH EQUIVALENTS

	Parent & Group 2008 $	Parent & Group 2007 $
Cash on Hand	2,448	8,451
Cash at Bank	262,245	160,895
	264,693	**169,346**

8. PROPERTY, PLANT & EQUIPMENT

2008	Cost Revaluation 1/7/2007	Accumulated Depreciation and Impairment Charges 1/7/2007	Carrying Amount 1/7/2007	Current Year Additions	Current Year Disposals	Current Year Depreciation	Revaluation Surplus / (Deficit)	Cost Revaluation 30/6/2008	Accumulated Depreciation and Impairment Charges 30/06/2008	Carrying Amount 30/6/2008
Land	16,787,449	0	16,787,449	275,307	(3,144,364)	0	12,092,209	26,010,601	0	26,010,601
Buildings	2,884,803	(127,579)	2,757,224	15,026,995	(791,620)	(308,340)	1,536,437	18,223,090	2,396	18,220,694
Vehicles	556,929	(355,316)	201,613	34,745	0	(44,009)	0	569,378	377,028	192,350
Runways, Aprons and Taxiways	11,407,046	(874,117)	10,532,929	927,149	0	(449,878)	6,918,146	17,931,095	2,755	17,928,340
Other Paved Areas	1,481,480	(73,642)	1,407,838	873,984	0	(55,467)	621,208	2,847,563	0	2,847,563
Plant and Equipment	1,084,113	(727,454)	356,659	45,905	(2,503)	(62,618)	0	1,055,080	717,637	337,443
Computer Equipment	66,490	(40,461)	26,029	30,206	(12)	(15,999)	0	84,099	43,892	40,207
Furniture and Fittings	1,135,250	(375,957)	759,293	125,255	(9,274)	(89,359)	0	1,162,390	376,476	785,914
Fencing	530,209	(75,934)	454,275	1,422	0	(33,976)	110,398	568,209	36,089	532,120
Reticulated Systems	1,147,335	(186,955)	960,380	0	0	(67,392)	575,256	1,537,185	68,941	1,468,244
Work in Progress (Terminal & Car Park)	14,223,842	0	14,223,842	0	(14,223,842)	0	0	0	0	0
	51,304,946	**(2,837,415)**	**48,467,531**	**17,340,970**	**(18,171,615)**	**1,127,038**	**21,853,654**	**69,988,690**	**1,625,214**	**68,363,476**

The Board considers this to be the fair value for those assets.

a) Work in progress at 1 July 2007 included $13,909,949 of cost for the new terminal, and $313,894 for car parks. Those sums have been included as additions in the respective areas in the current year.

b) The carrying value of land to be sold as Joint Venture land, including any costs added to the value in respect of ensuring the land is in a position to be sold and developed by the Joint Venture, has been transferred to Property available for Sale, and is recorded as a Current asset as at 30 June 2008. The total carrying value transferred from Land and from Buildings amounts to $2,477,079. A further sum of $3,437,361 is transferred from Investment Property. (refer note 30)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

8. PROPERTY, PLANT & EQUIPMENT (continued)

2007	Cost Revaluation 1/7/2006	Accumulated Depreciation and Impairment Charges 1/7/2006	Carrying Amount 1/7/2006	Current Year Additions	Current Year Disposals	Current Year Depreciation	Revaluation Surplus / (Deficit)	Cost Revaluation 30/6/2007	Accumulated Depreciation and Impairment Charges 30/06/2007	Carrying Amount 30/6/2007
Land	17,309,022	0	17,309,022	538,657	(40,484)	0	(69,744)	16,787,449	0	16,787,449
Buildings	3,712,370	(70,726)	3,641,644	90,014	0	(79,792)	0	2,884,803	(127,579)	2,757,224
Vehicles	552,960	(328,236)	224,724	22,969	(19,000)	(27,080)	0	556,929	(355,316)	201,613
Runways, Aprons and Taxiways	11,412,000	(430,531)	10,981,469	17,611	(22,565)	(443,586)	0	11,407,046	(874,117)	10,532,929
Other Paved Areas	1,481,480	(37,635)	1,443,845	0	0	(36,007)	0	1,481,480	(73,642)	1,407,838
Plant and Equipment	882,952	(668,689)	214,263	281,161	(80,000)	(58,765)	0	1,084,113	(727,454)	356,659
Computer Equipment	60,721	(25,611)	35,110	5,768	0	(14,850)	0	66,490	(40,461)	26,029
Furniture and Fittings	843,596	(306,276)	537,320	291,654	0	(69,681)	0	1,135,250	(375,957)	759,293
Fencing	530,209	(41,978)	488,231	0	0	(33,956)	0	530,209	(75,934)	454,275
Reticulated Systems	1,128,129	(119,670)	1,008,459	19,206	0	(67,285)	0	1,147,335	(186,955)	960,380
Work in Progress (Terminal & Car Park)	6,714,558	0	6,714,558	7,509,285	0	0	0	14,223,842	0	14,223,842
	44,627,997	**(2,029,352)**	**42,598,645**	**8,766,325**	**(162,049)**	**(831,002)**	**(69,744)**	**51,304,946**	**(2,837,415)**	**48,467,531**

VALUATION

Asset Class	Valuation Approach	Valuer	Fair Value
Land	Fair market, highest and best use basis determined from prevailing market-based evidence and conditions.	Quotable Value Limited	$25,999,500
Buildings and Security Fencing	Fair market or, where appropriate, depreciated replacement cost	Quotable Value Limited	$18,183,600
Runways, Taxiways, Aprons and Other Paved Areas	Optimised depreciated replacement cost	Beca Valuations Ltd	$20,634,335
Reticulated Systems	Optimised depreciated replacement cost	Beca Valuations Ltd	$1,274,841

Those revaluations are reflected in the Company's Balance Sheet as at 30 June 2008.
The effective date of both Quotable Value Limited and Beca Valuations Ltd valuations is 30 June 2008.

Neither valuer has an interest or relationship with any party that would impair its objectivity or independence.
Due to minor assets not being revalued, there is a difference between the fair value disclosed for each asset class and the carrying amount.

9. BORROWING COSTS

In the year ended 30 June 2008 an amount of $17,334 of interest was capitalised against the cost of the terminal building project.

The capitalisation rate used to determine the amount of borrowing costs used for capitalisation was 8.9561% being the weighted average cost of borrowings as at 30 June 2008.

10. ASB BANK LOAN FACILITIES

At 30 June 2008 the Company had the following facilities with the ASB Bank:

i) An overdraft facility of $100,000 repayable on demand. The interest rate on this facility is the ASB Bank's business lending base rate.

ii) A Revolving Cash Advances Facility (RCAF) of up to $21,819,000 that matures on 8 November 2011.

The amount outstanding on this facility at 30 June 2008 was $17,925,000. (2007:$21,225,000)

iii) An Interest Rate Hedging Facility which allows the Company to hedge the interest rate risk relating to the RCAF.

iv) There is no obligation to reduce debt in 2008/09 under the bank's current loan facility providing the company meets financial covenants incorporated into the facility. The Company budget for the year ended 30 June 2009 includes the sale of land. Part or all of those proceeds may be used to reduce the sum outstanding.

These facilities are secured by a charge over uncalled capital.

11. EQUITY

	Parent and Group			
	2008		2007	
	No.	$	No.	$
Ordinary Shares Issued				
Balance of shares as at 1 July	4,973,604	24,460,110	4,973,604	24,460,110
Less: Uncalled Capital	2,113,604	21,600,110	2,113,604	21,600,110
Balance of Issued & Paid Shares at 30 June	**2,860,000**	**2,860,000**	**2,860,000**	**2,860,000**

As at 30 June 2008 the Company had 2,113,504 shares of uncalled capital at $21.6M provided by shareholders as security for existing and future borrowings associated with airport developments.

All ordinary shares carry equal voting rights and the right to share in any surplus on winding up. None of the shares carry fixed dividend rights.

The shareholding of Waikato Regional Airport Limited as at 30 June 2008 is as follows: -

Shareholder	No of Shares	Percentage
Hamilton City Council	2,486,802	50.000 %
Waipa District Council	777,125	15.625 %
Matamata-Piako District Council	777,125	15.625 %
Waikato District Council	777,125	15.625 %
Otorohanga District Council	155,427	3.125 %
	4,973,604	**100.000 %**

Asset Revaluation Reserve

	Parent & Group 2008 $	Parent & Group 2007 $
As at 1 July	21,822,130	21,663,493
Fair Value Gain/(Loss)	21,853,651	(69,670)
Deferred tax on movement	(2,785,855)	228,307
Transfer to Retained earning Disposal of Property	(2,297,783)	0
As at 30 June	**38,592,143**	**21,822,130**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

Asset Revaluation Reserve consists of:

	Parent & Group 2008 $	Parent & Group 2007 $
Land	23,455,597	13,185,912
Buildings	1,853,099	1,110,274
Fencing	282,780	205,501
Reticulated Systems	866,210	463,531
Runway, Apron & Taxiway	11,012,271	6,169,573
Other Paved Areas	1,122,186	687,339
	38,592,143	**21,822,130**

Retained Earnings

	Parent & Group 2008 $	Parent & Group 2007 $
As at 1 July	12,682,312	9,968,035
Transfers from asset revaluation reserve on disposal of property, plant & equipment	2,297,784	0
Surplus for the year	3,887,361	2,714,277
As at 30 June	**18,867,457**	**12,682,312**

12. INVESTMENT IN SUBSIDIARY

Titanium Park Limited is a limited liability company incorporated and domiciled in New Zealand.

The shareholding of Titanium Park Limited as at 30 June 2008 is as follows: -

Shareholder	No of Shares	Percentage
Waikato Regional Airport Limited	100	100.000 %
	100	**100.000 %**

At 30 June 2008 these shares were unpaid

13. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties on normal commercial terms during the year.

Shareholders

During the financial year the Company made payments to the following shareholders:

- Waipa District Council, a total of $67,977 (excl GST) for rates, planning matters and a contribution towards a portable water supply for the airport. (2007, $84,193)
- Hamilton City Council, a total of $4,061 (excl GST) for land transaction costs. (2007, $3,460)

There were no outstanding balances at balance date (2007 $nil).

Directors

Businesses in which directors have a substantial interest and which provided services/supplies to the company during the year were:

- Purchase of human resource advice and other professional services and reviews ($86,440 excl GST) during the year to 30 June 2008 from PricewaterhouseCoopers a company in which Mr. J. Rickman is a Consultant and his wife is a Partner. (2007:$14,895)

There were no amounts outstanding at balance date.

Key Management Personnel Compensation

	Parent & Group 2008 $	Parent & Group 2007 $
Salaries and other short-term employee benefits	845,721	676,710
Total key management personnel compensation	**845,721**	**676,710**

Key management personnel include all Directors, the Chief Executive and the other four members of the Company's management team.

There were no other material related party transactions during the year other than those already disclosed in the notes to these financial statements.

14. EVENTS OCCURRING AFTER BALANCE DATE

There were no events occurring after balance date that could significantly affect the financial statements.

15. OPERATING REVENUE

	Parent & Group 2008 $	Parent & Group 2007 $
Car Park	1,509,394	1,466,781
Landing charges & Departure charges	3,283,175	2,612,614
Rentals & Concessions	1,802,562	1,589,003
Shop trading and other	531,644	293,006
	7,126,775	**5,961,404**

16. OTHER REVENUE

	Parent & Group 2008 $	Parent & Group 2007 $
Dividend	32	32
TOTAL OTHER REVENUE	**32**	**32**

17. OTHER GAINS / (LOSSES)

	Parent & Group 2008 $	Parent & Group 2007 $
Gain / (Loss) on fair value adjustment – Interest Rate Swaps (note 27)	(366,166)	774,949
Gain on disposal of property, plant and equipment	522,877	97,516
Gain on sale of property held for sale	1,955,508	0
Gain on changes in fair value of investment property (note 30)	1,315,426	1,229,700
TOTAL OTHER GAINS	**3,427,645**	**2,102,165**

- *During the year the Company sold land and buildings for a total amount before selling expenses of $5,318,300. The gain on disposal amounted to $2,469,499, with $1,955,508 representing a gain on sale of property held for sale..*
- *Vehicles were sold for a value of $8,889 with a gain on sale of $8,889*
- *Other assets were written off with a loss of $11,791.(refer note 34)*

18. FINANCIAL INSTRUMENTS

Credit Risk

Waikato Regional Airport Limited is party to financial instrument arrangements as part of its everyday operations. Financial instruments, which potentially subject the company to credit risk, consist principally of cash, short-term investments and accounts receivable.

Maximum exposures to credit risk at balance date are:

	Parent & Group 2008 $	Parent & Group 2007 $
Cash at Bank	262,245	160,895
Receivables & Prepayments	906,108	1,018,985
	1,168,353	**1,179,880**

The above maximum exposures are net of any recognized provision for losses on these financial instruments. No collateral is held on the above amounts.

Waikato Regional Airport Limited invests funds only in deposits with registered banks with a credit rating of at least AA and New Zealand Government Stock. Surplus funds from normal trading activity are invested with ASB Bank which had a credit rating of AA as at 30 June 2008.

Concentrations of credit risk with respect to accounts receivable are limited due to the wide range of customers involved.

The fair value of cash, short-term investments and accounts receivable is equivalent to their carrying amount as disclosed in the Balance Sheet.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company's liquidity position is monitored on a daily basis by the management and is reviewed quarterly by the Board of Directors. A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at an entity level.

The Company has a Revolving Cash Advances Facility (RCAF) with a final maturity date of 8 November 2011. The borrowing is structured as 90 day interest period loans that are renewed on an ongoing basis under the RCAF. With final maturity date in November 2011, the repayment of the loans is included in the time-band of between 2 and 5 years, except that for the 2007 year, $2,025,000 is shown as being repaid in less than 1 year because of company intentions to repay debt of that sum.

30 June 2008	Weighted average effective interest rate	$ Less than 1 year	$ Between 1 and 2 years	$ Between 2 and 5 years	$ Over 5 years	$ Contractual cash flows	$ Carrying amount
Financial assets							
Cash and cash equivalents	0	264,693	0	0	0	264,693	264,693
Trade and other receivables	0	764,586	0	0	0	764,586	764,586
Prepayments	0	141,522	0	0	0	141,522	141,522
Derivative financial instruments	6.48%	296,346	106,867	170,988	78,370	652,571	569,346
Other financial assets at fair value through profit or loss	0	0	0	0	0	0	0
		1,467,147	**106,867**	**170,988**	**78,370**	**1,823,372**	**1,740,147**
Financial liabilities							
Trade and other payables	0	1,530,710	0	0	0	1,530,710	1,530,710
Term liabilities – current	0	0		0	0	0	0
Term liabilities – non current	9.02%	1,514,663	1,398,150	19,809,664	0	22,722,477	17,925,000
		3,045,373	**1,398,150**	**19,809,664**	**0**	**24,253,187**	**19,455,710**

30 June 2007	Weighted average effective interest rate	$ Less than 1 year	$ Between 1 and 2 years	$ Between 2 and 5 years	$ Over 5 years	$ Contractual cash flows	$ Carrying amount
Financial assets							
Cash and cash equivalents	0	169,346	0	0	0	169,346	169,346
Trade and other receivables	0	902,253	0	0	0	902,253	902,253
Prepayments	0	116,732	0	0	0	116,732	116,732
Derivative financial instruments	6.48%	296,829	268,822	430,115	197,136	1,192,902	935,512
Other financial assets at fair value through profit or loss	0	0	0	0	0	0	0
		1,485,160	268,822	430,115	197,136	2,381,233	2,123,843
Financial liabilities							
Trade and other payables	0	1,667,979	851,221	0	0	2,519,200	2,519,200
Term liabilities – current	8.25%	2,118,656	0	0	0	2,118,656	2,025,000
Term liabilities – non current	8.25%	1,756,800	1,622,400	22,716,320	0	26,095,520	19,200,000
		5,543,435	2,473,621	22,716,320	0	30,733,376	23,744,200

Market Risk

Cash flow and Interest Rate risk

As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company manages interest rates by keeping a percentage of its total net debt outstanding on a fixed rate basis. The amount of fixed rate debt depends on the underlying interest rate exposure and economic conditions.

The Company currently has an agreement with ASB Bank Limited to hedge its $21.819M loan facility, as follows:

Face Value	Fixed Rate	Start Date	Maturity Date
$2,000,000	5.99%	3 April 2007	3 July 2009
$4,000,000	6.53%	3 July 2006	4 January 2012
$3,000,000	6.48%	3 April 2007	5 January 2016
$4,000,000	6.62%	8 May 2007	8 March 2010
$3,000,000	6.56%	8 February 2007	8 February 2016
$3,000,000	6.29%	8 August 2008	8 March 2010

The Company enters into derivative financial instruments only for hedging purposes.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Other receivables and trade payables are interest-free and have settlement dates within one year. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Foreign exchange risk

All financial instruments are denominated in New Zealand Dollars; therefore the Company has no foreign currency risk.

Price risk

The Company is exposed to equity securities price risk because of investments held by the Company which are classified as fair value through equity. The Company is not exposed to commodity price risk. The Directors do not have a policy on price risk due to the low value of the equity holdings.

MARKET RISK SENSITIVITY

The sensitivity analyses below are based on a change in an assumption while holding all the other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values.

30 June 2008	$ Carrying Amount	Interest rate risk -1%		Interest rate risk 1%	
		Profit	Equity	Profit	Equity
Financial assets					
Trade and other receivables	764,586	0	0	0	0
Cash and cash equivalents	264,693	0	0	0	0
Prepayments	141,522	0	0	0	0
Derivative financial instruments	569,346	(519,385)	0	490,191	0
Other financial assets at fair value through profit or loss	0	0	0	0	0
Financial liabilities					
Trade and other payables	1,530,710	0	0	0	0
Term liabilities – current	0	0	0	0	0
Term liabilities – non current	17,925,000	(11,430)	0	11,407	0
Total increase/ (decrease)		**(530,815)**	**0**	**501,598**	**0**

30 June 2007	$ Carrying Amount	Interest rate risk -1%		Interest rate risk 1%	
		Profit	Equity	Profit	Equity
Financial assets					
Trade and other receivables	902,253	0	0	0	0
Cash and cash equivalents	169,346	0	0	0	0
Prepayments	116,732	0	0	0	0
Derivative financial instruments	935,512	(583,463)	0	530,243	0
Other financial assets at fair value through profit or loss	0	0	0	0	0
Financial liabilities					
Trade and other payables	2,519,200	0	0	0	0
Term liabilities – current	2,025,000	(1,172)	0	1,170	0
Term liabilities – non current	19,200,000	(11,115)	0	11,092	0
Total increase/ (decrease)		**(595,750)**	**0**	**542,505**	**0**

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, trade and other payables, and deferred tax, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

During 2008, the Company's strategy, which was unchanged from 2007, was to reduce the gearing ratio through the sale of surplus property holdings. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	Parent & Group 2008 $	Parent & Group 2007 $
Total borrowings	24,475,177	25,957,262
Less: cash and cash equivalents	(264,693)	(169,346)
Net debt	24,210,484	25,787,916
Total equity	60,319,600	37,364,442
Total capital	84,530,084	63,152,358
Gearing ratio	**28.64%**	**40.83%**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

19. RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES

	Parent & Group 2008 $	Parent & Group 2007 $
Surplus/(deficit) after tax	**3,887,361**	**2,714,277**
Add/(deduct) non cash items:		
Depreciation and amortisation	1,130,314	837,535
Deferred taxation	20,550	143,934
(Gains)/losses in fair value of investment property	(1,315,426)	(1,229,700)
Net interest rate swap (gains)/losses	366,166	(774,919)
Gain on revaluation of assets	0	0
Impairment of property, plant and equipment	0	0
Add/(deduct) items classified as investing or financing activities:		
(Gains)/losses on disposal of property, plant and equipment	2,902	(25,344)
(Gains)/losses on sale of "Property Available for Sale'	(2,469,500)	0
Add/(deduct) movements in working capital items:		
Trade and other receivables	137,667	348,201
Prepayments	(24,790)	(6,918)
Payables and accruals	(45,325)	166,450
Employee entitlements	(25,007)	85,097
Income in advance	(22,119)	17,549
Goods and Services taxation	31,666	354,193
Inventories	(16,174)	(31,014)
Other assets allocated	9,217	0
Current taxation	(29,512)	0
NET CASH FROM OPERATING ACTIVITIES	**1,637,990**	**2,599,351**

20. DEPRECIATION & AMORTISATION OF ASSETS BY CLASS

	Parent & Group 2008 $	Parent & Group 2007 $
Buildings	308,340	79,792
Vehicles	44,009	27,080
Runways, Apron & Taxiways	449,878	443,586
Other Paved Areas	55,467	36,007
Plant & Equipment	62,618	58,765
Computer Equipment	15,999	14,850
Furniture and Fittings	89,359	69,681
Fencing	33,976	33,956
Reticulated Systems	67,392	67,285
	1,127,039	831,002
Intangible Assets – Computer Software	3,275	6,533
TOTAL DEPRECIATION & AMORTISATION OF ASSETS	**1,130,314**	**837,535**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

21. INCOME TAXATION

	Parent & Group 2008 $	Parent & Group 2007 $
Current Tax Expense		
Current year	(7,140)	(72,488)
Prior period adjustment	9,606	7,598
Movement in temporary differences	20,550	154,386
	23,016	**89,496**

Reconciliation of Effective Tax Rate	%	2008	%	2007
Surplus for the period excluding income tax		3,910,377		2,803,773
Prima facie income tax based on domestic tax rate	33.00%	1,290,424	33.00%	925,245
Effect of non-deductible expenses	2.04%	79,812	0.00%	270
Effect of tax exempt income	(32.66%)	(1,277,212)	(30.00%)	(842,701)
Prior period adjustment	0.25%	9,606	0.00%	6,682
Effect of tax rate change	0.22%	(8,457)	0.00%	0
Deferred tax adjustment	1.82%	(71,157)	0.00%	0
	0.59%	**23,016**	**3.00%**	**89,496**

Imputation Credits	Parent & Group 2008 $	Parent & Group 2007 $
Imputation credits as at 1 July	1,410,412	1,287,932
New Zealand tax payments	31,696	153,000
Other credits	282	4,421
New Zealand tax refunds received	0	(37,809)
Other debits	(6,987)	2,868
	1,435,403	**1,410,412**

22. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Property plant and equipment	Financial assets	Employee entitlements	Other	Total
Balance at 1 July 2006	2,334,934	52,986	(26,890)	(4,034)	2,356,996
Charged to profit and loss	(153,392)	227,668	(6,727)	86,837	154,386
Tax loss recognised	0	0	0	(70,013)	(70,013)
Charged to equity	(228,307)	0	0	0	(228,307)
Balance as at 30 June 2007	**1,953,235**	**280,654**	**(33,617)**	**12,790**	**2,213,062**
Charged to profit and loss	215,033	(109,850)	2,460	(27,543)	80,100
Tax loss recognised	0	0	0	(59,550)	(59,550)
Charged to equity	2,785,855	0	0	0	2,785,855
Balance as at 30 June 2008	**4,954,123**	**170,804**	**(31,157)**	**(74,303)**	**5,019,467**

The amount of current and deferred tax charged or credited to equity during the period was $2,785,855 (2007:$228,307) arising from the revaluation of depreciable property, plant and equipment.

23. OPERATING LEASE INCENTIVE

During the year ending 30 June 2005 the Company leased land to CTC Aviation Training (NZ) Limited for the purpose of establishing a flight training school. As an incentive to attract CTC to enter the lease, the Company agreed to pay 50% of the costs of constructing an apron.

As this payment is considered to be an operating lease incentive, the cost to the Company has been separately identified and will be amortised over the period of the 20 year lease as a reduction in lease income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

24. EMPLOYEE BENEFIT EXPENSES

	Parent & Group 2008 $	Parent & Group 2007 $
Salaries and Wages	1,461,200	1,212,368
Increase/(decrease) in employee benefit liabilities	(25,007)	85,097
	1,436,193	**1,297,465**

25. EMPLOYEE BENEFIT LIABILITIES

	Parent & Group 2008 $	Parent & Group 2007 $
Annual Leave	103,855	108,324
Accrued Salary and Wages	115,381	135,919
Total Employee Benefit Liabilities	**219,236**	**244,243**
Comprising:		
Current	219,236	244,243
Total Employee Benefit Liabilities	**219,236**	**244,243**

26. LEASE RECEIVABLES

The Company holds a number of leases for grazing and cropping, airport industrial use and terminal leases (e.g. retail, rental cars, office space).

	Parent & Group 2008 $	Parent & Group 2007 $
Less than 12 months	903,162	106,527
Between 1 and 5 years	2,264,522	471,372
Greater than 5 years	2,475,010	429,501
Total Lease Receivables	**5,642,694**	**1,007,400**

27. DERIVATIVE FINANCIAL INSTRUMENTS

The carrying values of hedges in place at year end was the net interest accrued at balance date. Fair value for all hedges is provided by independent valuation.

	Parent & Group 2008 $	Parent & Group 2007 $
Current Portion		
Fair Value of Interest Rate Swaps - 1 July	935,512	160,563
Gain/(Loss) During Year	(366,166)	774,949
Fair Value of Interest Rates Swaps – 30 June	**569,346**	**935,512**

28. OTHER FINANCIAL ASSETS

	Parent & Group 2008 $	Parent & Group 2007 $
Non-Current Portion		
Shares – Paper Plus	24,000	24,000
Shares - Ballance Agri-Nutrients	1,663	1,663
Total Non-Current Portion	**25,663**	**25,663**

There were no impairment provisions for other financial assets.

29. PROPERTIES AVAILABLE FOR SALE

Waikato Regional Airport Ltd owns surplus non-aeronautical property identified by the Board as available for sale. Most of the property is intended to be sold to the Joint Venture of which WRAL will hold a 50 percent interest through its subsidiary company, Titanium Park Limited.

	Parent & Group 2008 $	Parent & Group 2007 $
Properties Available For Sale		
Land	5,201,798	1,103,771
Buildings	791,620	894,642
Total Properties Available For Sale	**5,993,418**	**1,998,413**

30. INVESTMENT PROPERTY

WRAL has identified certain properties that are not likely to be required for airport purposes in the foreseeable future. These properties are classified as investment properties external to the airport precinct and are held for rental or capital appreciation.

Waikato Regional Airport Limited's investment properties are valued annually at fair value effective 30 June. All investment properties were valued on open market evidence and conditions that prevailed as at 30 June 2008. The valuation was performed by R.D. Allen, Registered Valuer, ANZIV, SPINZ, an independent valuer from Quotable Value Limited. Quotable Value Limited is an experienced valuer with extensive market knowledge in the types of investment properties owned by Waikato Regional Airport Limited.

	Parent & Group 2008 $	Parent & Group 2007 $
Opening Balance	10,787,000	9,678,000
Fair Value Adjustment – Additions/(Disposals)	7,434	(120,700)
Fair Value Gain on Valuation	1,315,426	1,229,700
Transfer to Property for Sale	(3,437,361)	0
Closing Balance	**8,672,499**	**10,787,000**

31. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of NZ IAS 39 categories are as follows:

	Parent & Group 2008 $	Parent & Group 2007 $
Fair Value Through Income Statement		
Interest rate swaps	**569,346**	**935,512**
Fair Value Through Equity		
Shares in listed securities (Note 28)	**25,663**	**25,663**
Loans and Receivables		
Receivables and Prepayments	906,108	1,018,985
Total Loans and Receivables	**906,108**	**1,018,985**
Financial Liabilities Measured at Amortised Cost		
Payables and Accruals	1,530,710	2,519,200
Term Loans	17,925,000	21,225,000
Total Financial Liabilities Measured at Amortised Cost	**19,455,710**	**23,744,200**

32. INTANGIBLE ASSETS

	Parent & Group 2008 $	Parent & Group 2007 $
Acquired Computer Software		
Balance as at Beginning of Year	38,936	38,936
Additions	0	0
Disposals	0	0
Balance at Year End	**38,936**	**38,936**
Accumulated Amortisation and Impairment Losses		
Balance as at Beginning of Year	29,138	29,128
Amortisation Expense	6,533	6,533
Disposals	0	0
Balance at Year End	**35,671**	**35,661**
Carrying Amounts		
Balance as at Beginning of Year	3,275	9,808
Balance at Year End	**0**	**3,275**

33. ASSET IMPAIRMENT

There has been no impairment of assets recognized in 2007/08. (2006/07 nil).

34. LOSS ON DISPOSAL OF ASSETS

During the year the Company disposed of non-current assets no longer required for airport purposes. Those transactions resulted in losses on disposal, as follows:

	Parent & Group 2008 $	Parent & Group 2007 $
Property, plant and equipment		
Oil Interceptor Trap	0	66,000
Fixtures & Fittings	9,276	0
Sundry	2,515	0
Vehicles	0	0
Operations Vehicle	0	6,173
Total	**11,791**	**72,173**

PERFORMANCE TARGETS AND RESULTS

The Company prepares an annual Statement of Corporate Intent, which is approved by Shareholders and incorporates financial and performance measures for the ensuing year. A comparison of the Company's actual results for the year (excluding abnormal items) withthose forecast is given below.

	Actual To 30 June 2008	Statement of Corporate Intent Targets for 2007/08
Net profit after tax to average shareholder funds	7.96%	4.30%
Net profit before tax / interest to total assets	6.16%	1.83%
Net profit after tax to total assets	4.56%	2.73%
Net profit before tax / interest to average shareholder funds	10.75%	2.88%
Percentage of Non-landing Charges Revenue	75.82%	81.42%
Earnings before Interest, Taxation & Depreciation	$2,951,270	$2,346,037
Total Liabilities / Shareholder funds: Debt/Equity ratio	29:71	35:65
Interest rate cover	2.21	1.7

Dividend

Your Directors recommend that no dividend be declared.

Directors

At the Company's Annual General meeting held 17 September 2007, and in accordance with the Company's Constitution:-

- Mr B. Coombes and J. Spencer retired by rotation, and were reappointed.
- Mr R. Christey did not seek reappointment and retired.
- The appointment of Mr J. Birch and Mr A. Calder effective from 7 September 2007 was confirmed.

Auditor

As required by Clause 23 of the Company's Constitution, the Auditor-General is responsible for the Company's audit. This function is contracted to Audit New Zealand.

Directors' Interests

The following directors have made a general disclosure of interest with respect to any transaction or proposed transaction that may be entered into with other entities on the basis of him being a director, partner, trustee or officer of those entities

Director	Entity	Interest
J. Rickman	PricewaterhouseCoopers	Consultant
	Beattie Rickman Administration Limited	Shareholder
	Beattie Rickman Investments Ltd	Shareholder & Director
	Tidd Ross Todd Limited	Chairman
	H G Leach & Company Ltd	Chairman
	Learning Media Ltd	Chairman
	Katolyst Group	Chairman
	Inframax Construction Ltd	Director
	Titanium Park Limited	Director
	Lake Taupo Protection Trust	Trustee
	Number of Family Trusts for clients and his family	Trustee
	Independent Oversight Group – Telecom	Member
	Waikato District Health Board	Chairman
J. Spencer	Tainui Group Holdings Ltd	Chairman
	Telfer Young Ltd	Chairman
	Solid Energy Ltd	Deputy Chairman
	NIWA	Deputy Chairman
	Accounting Standards Review Board	Deputy Chairman
	Tower Ltd	Director
	WEL Networks Ltd	Director
	Touchstone Capital Partners Ltd	Director
	Titanium Park Limited	Director
B. Coombes	Brian Perry Charitable Trust	Trustee
	Bureta Park Motor Inn Ltd	Director
	360° Management Ltd	Director
	Three Cherries Ltd	Director
	Perrinpark Retirement Village Ltd	Director
	Gaming Management Ltd	Director
	Titanium Park Limited	Director
A. Calder	University of Waikato Foundation	Deputy Chairman
	Agri Travel International Ltd	Director
	Calder & Lawson Tours Ltd	Director
	House of Travel Holdings	Business Partnership Mentor
	Titanium Park Limited	Director
J. Birch	WEL Networks Ltd	Director
	Birch Holdings Ltd	Director
	Combined Technologies Ltd	Chairman
	Birch Mollard Capital Management Limited	Director
	Titanium Park Limited	Director
	Central Capital Management Limited	Director
	Central Capital Partners Limited	Director
	Habitat for Humanity (Central North Island) Limited	Director
	Joffre Consulting Limited	Director
	Maeroa Properties Limited	Director
	Larrabee Holdings Limited	Director
	Birchwood Design Limited	Director
	Control Distribution Limited	Director
	Get Smart Holdings Limited	Director
	Get Smart Financial Solutions Limited	Director
	Market Led Limited	Director
	Kermit Promotions Limited	Director
	Magpie Forestry Limited	Director

Use of Company Information

No notices were received from directors requesting use of Company information received in their capacity as directors that would not have been otherwise available to them.

Share Dealing

No Director acquired or disposed of any interest in shares in the company during the year.

Donations

During the year the company made one donation to a charity totalling $60.00.

Directors Remuneration

Director remuneration paid during the year was as follows: -

	2008 $	2007 $
J. Rickman	34,800	34,800
B. Coombes	17,400	17,400
J. Birch (appointed September 2007)	13,050	0
A. Calder (appointed September 2007)	13,050	0
J. Spencer (retired June 2008)	17,400	17,400
R. Christey (retired September 2007)	4,350	17,400

No other remuneration or benefits have been paid or given to directors.

Insurance

The Company arranged directors' and officers' liability insurance with QBE Insurance (International) Limited at a cost of $8,000 (excl GST).

Remuneration of Employees

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993 ,is the number of employees 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
$260,000 - $269,999	1
$130,000 - $139,999	1
$120,000 - $129,999	1
$100,000 - $109,999	1

Remuneration includes salary, performance bonuses, motor vehicle and accrued leave received in their capacity as employees.

AUDIT REPORT

For the year ended 30 June 2008

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

AUDIT REPORT

**TO THE READERS OF
WAIKATO REGIONAL AIRPORT LIMITED AND GROUP'S
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008**

The Auditor-General is the auditor of Waikato Regional Airport Limited (the company) and group. The Auditor-General has appointed me, Karen Mackenzie, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company and group on his behalf, for the year ended 30 June 2008.

Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 22 to 51:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2008; and
    - the results of operations and cash flows for the year ended on that date.
- The statement of service performance of the company and group on page 51 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2008.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 22 September 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

AUDIT REPORT

For the year ended 30 June 2008

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2008 and the results of operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing the statement of service performance that gives a true and fair view of service performance achievements for the year ended 30 June 2008. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 70 of the Local Government Act 2002.

Independence

AUDIT REPORT

For the year ended 30 June 2008

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

Karen Mackenzie
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

FIVE YEAR REVIEW

		2008 $000'S	2007 $000'S	2006 $000'S	2005 $000'S	2004 $000'S
			Restated Under IFRS			
OPERATING						
Revenue		10,591	8,082	11,878	4,654	4,566
Increase/- Decrease		31%	-32%	155%	2%	-15%
Expenditure		6,680	5,278	8,035	4,164	4,040
Increase/- Decrease		26%	-34%	93%	3%	2%
Operating Surplus before Abnormal Item & Taxation		870	774	822	490	526
Increase/- Decrease		127%	-6%	68%	-7%	-64%
Operating Surplus before Tax Item		3,910	2,804	3,843	238	350
PERFORMANCE INDICATORS						
Operating Surplus (after Abnormal Item & Taxation) to Average Shareholders' Equity		7.96%	7.55%	14.45%	1.16%	1.71%
Percentage of Non-Landing Charges Revenue to Total Revenue		76%	84%	82%	79%	78%
Total Equity		60,320	37,364	34,492	20,747	20,509
Total Liabilities		24,836	26,366	18,964	11,293	8,526
Total Assets		85,156	63,730	53,456	32,040	29,035
Net Asset Backing per Share		$21.09	$13.06	$12.06	$7.25	$7.17
Shareholders' Equity Ratio		71%	59%	65%	65%	71%
Passengers	- Domestic	336,320	321,694	311,444	304,520	285,706
	- International	86,694	103,016	122,514	107,842	110,910
	- Total	423,014	424,710	433,958	412,362	396,616

CORPORATE DIRECTORY

For the year ended 30 June 2008

Board of Directors:	Jerry Rickman (Chairman)
	Alastair Calder
	Barry Coombes
	John Birch
	John Spencer (retired June 2008)
Chief Executive Officer	Chris Doak
Company Secretary & Manager, Finance & Administration:	C.E. (Kit) Jeffries
Manager, Operations	Simon Hollinger
Manager, Business Development:	Rosemary Poole
Manager, Commercial & Growth:	Andrew Toop
Registered Office:	Hamilton Airport Terminal Building
	Hamilton International Airport
	Airport Road, R.D. 2
	Hamilton 2021
Telephone:	(07) 848 9027
Facsimile:	(07) 843 3627
E-Mail:	wral@hamiltonairport.co.nz
Web Site:	www.hamiltonairport.co.nz
Bankers:	ASB Bank Limited
Solicitors:	Swarbrick Dixon, Hamilton
Auditors:	Audit New Zealand, Hamilton on behalf of the Controller and Auditor General.

Hamilton International Airport