IRR Analysis - Summary of Assumptions

1. Opening Pricing Asset Base

- The opening Asset Base was as per Information Disclosure 30 June 2009, plus additions, less deletions, less depreciation for FY 2010, 2011 and 2012, plus
- The addition of Revaluations for 2010, 2011 and 2012 at CPI indexation and an adjustment for land revalued to MVAU at 31 December 2011, plus
- The addition of ITP in its fully commissioned state at 30 June 2012 – a pragmatic commercial judgment balancing the staged nature of additions. The first two major stages were completed in May 2011 and April 2012 (these stages comprised the complex elements of construction including the integrated check in and baggage handling, plant rooms and major infrastructure). The final two stages were completed in March 2013 (final terminal works) and 30 April 2013 (final airside civil works).

2. Closing Pricing Asset Base

- The closing Asset Base is based on the roll forward approach outlined in 1 above. The closing asset base at 30 June 2017 excludes revenue to be recovered in future pricing periods. This amount ($19.6m) represents the difference between the maximum allowed revenue using the building block accumulation approach and the long run constant levelised prices for the period 1 December 2012 to 30 June 2017. This amount will be recovered in future periods through the constant real prices to be applied in subsequent price reset periods.

3. Revenue (excluding revaluations of assets)

- Total Revenue is the sum of revenues received from the Airlines for the use of specified airfield and terminal services, including;
  - Revenue for the use of airfield services –
    - calculated on the total number of aircraft movements x the relevant fixed charge per movement; plus
    - the variable charge per aircraft type x the relevant $/MCTOW rate.
  - Revenue for the use of terminal services –
    - calculated on the total number of departing aircraft movements - with the relevant aircraft movement charge being the product of total seat capacity for the respective aircraft x the relevant $ per seat charge.
  - International Revenue also includes the recovery of Passenger Services Charges based on the number of eligible passengers x the Passenger Services charge per eligible arriving and departing passenger.
- The Revenue in FY13 includes the 5 months period 1 July 2012 to 30 November 2012, at the prevailing charges set in the 2009 Price reset, together with the 7 months period 1 December 2012 to 30 June 2013, calculated on the new charging rates applicable from 1 December 2012.

4. OPERATING EXPENDITURE

- Operating Expenditure is as documented in the Proposal and detailed in the pricing model.

5. Value of commissioned assets

- Commissioned assets are included on the basis of the Capital Expenditure forecast in the Consultation Proposal. These have been included on the assumption that all expenditure is commissioned in the year of expenditure. Such detail is as documented in the Pricing proposal and recorded in the pricing model.

6. Taxation

- Tax Depreciation is included on the basis of the opening asset base for pricing using the Rolled forward tax asset base as per information disclosure to 30 June 2012. To this was applied the weighted average tax depreciation rate for such asset groups. Additions in the 2013-2017 period were depreciated for tax purpose at their applicable rates.
- The opening asset base excludes revaluation of assets, capitalized interest, depreciation on buildings as at 30 June 2012 and removal of the estimated proportion of ITP expenditure classified as the building component.
- Taxation is applied to assessable income at the rate of 28%.

7. Interest Shield

- The notional gearing rate and the calculation of the interest shield are derived through applying the Commerce commission Benchmarks of 17% and5.9% respectively.

5 June 2013