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Auckland Airport

Financial Report 2022

Financial Statements

This annual report covers the performance of Auckland International Airport Limited (Auckland Airport) from 1 July 2021 to 30 June 2022. This volume contains our audited financial statements. Overview information and a summary of our performance against financial and non-financial targets for the 2022 financial year are obtained in a separate volume, which may be accessed at report.aucklandairport.co.nz.

Financial report 2022

Introduction

In a year characterised by disruption and resilience, recovery and then re-connection, Auckland Airport is pleased to present the financial results for the year to 30 June 2022.

The COVID-19 pandemic and the associated travel restrictions continued to adversely impact the company throughout the year. In August 2021, the inevitable Delta outbreak reached New Zealand resulting in the re-imposition of domestic travel restrictions from which Auckland only emerged 107 days later on 15 December 2021. On 23 January 2022, New Zealand went to the red traffic light setting following the outbreak of Omicron in the community.

Responding to the pandemic posed significant operational challenges throughout the year, particularly ensuring the airport could continue to operate while staff were required to isolate. Despite these disruptions, the safety and wellbeing of those who work at the airport, our customers and the thousands of passengers who continued to use the airport every day has been at the forefront of our operation.

Having responded to the arrival of the pandemic in the prior year, the 2022 financial year saw Auckland Airport focused on positioning itself for the reopening of the country's border and a progressive recovery in aviation.

During this time, considerable financial support was provided to our airline customers and commercial tenants, particularly retail, who were unable to trade for significant periods of the year. Despite the disruption, Auckland Airport utilised the low-demand environment to continue to prioritise capital expenditure on asset resilience and renewal, enabling a number of projects to be completed with minimal disruption to customers.

With the easing of international travel restrictions from late February 2022 and the gradual reopening of the country's border, the recovery in aviation is well underway. Thousands of passengers are now using the airport every day, travelling both domestically and internationally, undertaking business, going on holiday or reconnecting with friends, family or loved ones. The resumption of travel has reinvigorated the business and created new opportunities for people to explore New Zealand and the world.

This financial report analyses our results for the 2022 financial year and its key trends. It covers the following areas:

- 2022 Financial performance;
- 2022 Financial position; and
- 2022 Returns for shareholders.

2022 Financial performance

This financial summary provides an overview of the financial results and key trends for the year ended 30 June 2022 compared with those for the previous financial year. Readers should refer to the following financial statements, notes, and accounting policies for an understanding of the basis on which the financial results are determined.

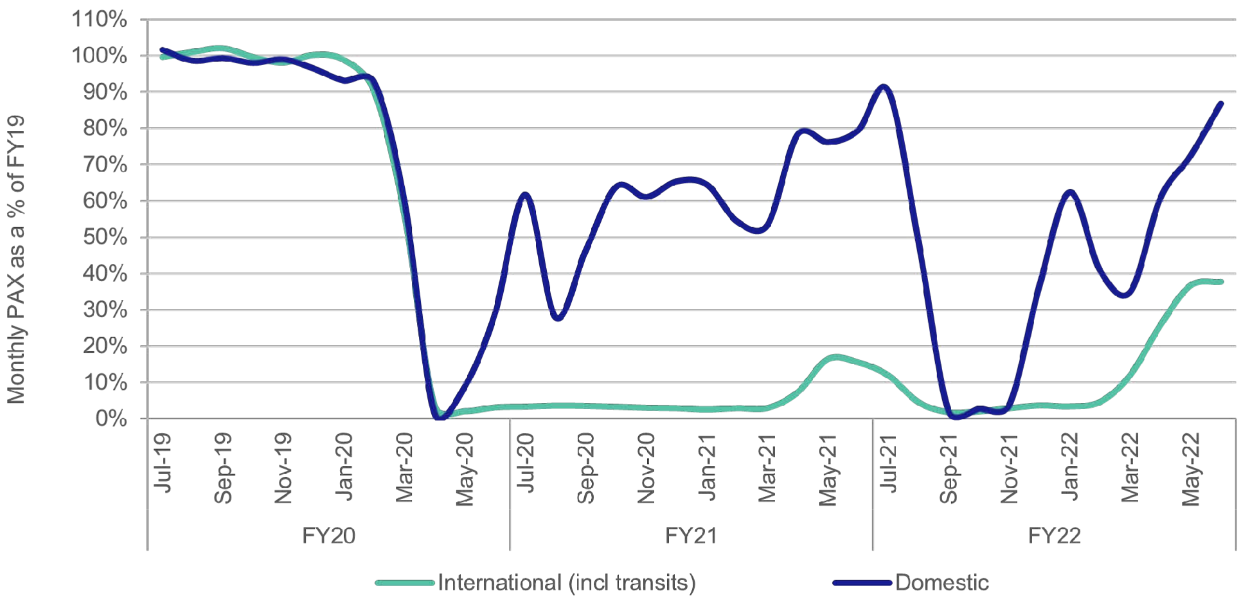
COVID-19

The COVID-19 pandemic continued to adversely impact the aviation industry throughout the year to 30 June 2022. The global spread of new COVID variants and the associated imposition of travel restrictions to mitigate the impact of these on the community resulted in a second full financial year of disruption for Auckland Airport.

Total passenger numbers during 2022 were down on those recorded in 2021, reaching levels not seen since the mid-1990s. The impact of lower passenger numbers was felt across all business segments, from aviation to transport, retail and hotels to commercial property.

The Delta outbreak in August 2021 and subsequent Omicron outbreak in February 2022 resulted in the closure of the country's border for a significant proportion of the year and the reimposition of domestic travel restrictions, particularly in Auckland. Between August and December 2021, there was restricted movement through Auckland's border with the rest of New Zealand, significantly impacting domestic travel. Following the relaxation of restrictions on 15 December 2021, it was pleasing to see a recovery in domestic activity.

With the reduction in Auckland's Alert Level from red to orange and the gradual reopening of the country's border from late February 2022, both domestic and international passenger numbers steadily increased as New Zealanders resumed travelling to undertake business, go on holidays or reconnect with friends, family or loved ones. The reopening of the border was a catalyst for the restart of our tourism industry with international visitors beginning to arrive in the country from 28 February 2022.



In the 2022 financial year, revenue increased by 7% on the prior year to $300.3 million. Aeronautical revenues increased 7% reflecting the increased volume of higher-value international passengers, offsetting the reduction in domestic passengers seen during the year.

2022 Financial performance CONTINUED

Retail revenues similarly increased 28% on the prior year to $22.7 million as a result of the gradual reopening of stores in the international terminal following the reopening of the country's border. Car parking revenues decreased 9% on the prior year following the reduction of domestic passenger movements arising from the COVID-19 travel restrictions in place during the year and some domestic travel reticence when the Omicron outbreak began to take hold. Property rental income delivered another year of strong growth, up 12% in the period, reflecting a mix of newly completed developments and rental growth from the existing portfolio.

Our reported profit after taxation for the 2022 financial year was $191.6 million, driven by $204.4 million of investment property revaluation gains. After removing the impact of all revaluation movements, Auckland Airport incurred an underlying loss after taxation of $11.6 million.

A summary of the financial results for the year to 30 June 2022 and the 2021 comparative is shown in the table below.

	2022 $M	Restated 2021[1] $M	Change
Income	300.3	281.1	7%
Operating expenses	155.8	110.0	42%
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)	**144.5**	**171.1**	**(16)%**
Reported profit after tax	191.6	466.6	(59)%
Underlying profit after tax	**(11.6)**	**(39.4)**	**71%**
Earnings per share (cents)	13.0	31.7	(59)%
Underlying earnings per share (cents)	(0.8)	(2.7)	70%
Ordinary dividends for the full year			
- cents per share	-	-	n/a
- value distributed	-	-	n/a

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.

Underlying profit is how we measure our financial performance

The directors and management of Auckland Airport understand the importance of reported profits meeting accounting standards. Because we comply with accounting standards, investors know that comparisons can be made with confidence between different companies and that there is integrity in our reporting approach. However, we believe that an underlying profit measurement can also assist investors to understand what is happening in a business such as Auckland Airport, where revaluation changes can distort financial results or where one-off transactions, both positive and negative, can make it difficult to compare profits between years.

For several years, Auckland Airport has referred to underlying profit alongside reported results. We do so when we report our results, but also when we give market earnings guidance (where we exclude fair value changes and other one-off items) and when we consider dividends. Our usual dividend policy (prior to the dividend restrictions in place until December 2022 as a result of more lenient lending covenants negotiated with our banking partners) is to pay out 100% of underlying net profit after tax (excluding unrealised gains and losses arising from revaluation of property or treasury instruments and other one-off items). However, in referring to underlying profits, we acknowledge our obligation to show investors how we have derived this result.

2022 Financial performance CONTINUED

The table below shows the reconciliation between reported profit after tax and underlying profit after tax for the years ended 30 June 2022 and 2021

	2022			Restated 2021[1]		
	Reported profit $M	Adjustments $M	Underlying profit $M	Reported profit $M	Adjustments $M	Underlying profit $M
EBITDAFI per Income Statement[2]	144.5	-	144.5	171.1	-	171.1
Investment property fair value increase	204.4	(204.4)	-	527.3	(527.3)	-
Property, plant and equipment revaluation	(1.4)	1.4	-	(7.5)	7.5	-
Fixed asset write-offs, impairments and termination costs	-	6.9	6.9	-	2.5	2.5
Reversal of fixed asset impairments and termination costs	-	-	-	-	(19.4)	(19.4)
Derivative fair value movement	1.7	(1.7)	-	(0.5)	0.5	-
Share of profit of associate and joint ventures	(12.8)	17.2	4.4	21.1	(15.7)	5.4
Depreciation	(113.1)	-	(113.1)	(120.9)	-	(120.9)
Interest expense and other finance costs	(53.7)	-	(53.7)	(94.0)	-	(94.0)
Taxation (expense) / credit	22.0	(22.6)	(0.6)	(30.0)	45.9	15.9
Profit / (loss) after tax	**191.6**	**(203.2)**	**(11.6)**	**466.6**	**(506.0)**	**(39.4)**

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.
2 2022 EBITDAFI included fixed asset write-offs, impairments and termination costs of $6.9m. 2021 included a net reversal of $16.9 million.

We have made the following adjustments to show underlying profit after tax for the years ended 30 June 2022 and 2021:

- we have reversed out the impact of revaluations of investment property in 2022 and 2021. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term performance. Changes between years can be volatile and, consequently, will impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy;
- consistent with the approach to revaluations of investment property, we have also reversed out the revaluations of the land and building class of assets within property, plant and equipment in 2022 and the land class of assets within property, plant and equipment in 2021;
- we have reversed out the impact of capital expenditure write-offs, impairments and termination cost expenses and reversals in 2022 and 2021. These fixed asset write-off costs, impairments and termination costs are not considered to be an element of the group's normal business activities and on this basis have been excluded from underlying profit;
- we have also reversed out the impact of derivative fair value movements. These are unrealised and relate to basis swaps that do not qualify for hedge accounting on foreign exchange hedges, as well as any ineffective valuation movements in other financial derivatives. The group holds its derivatives to maturity, so any fair value movements are expected to reverse out over their remaining lives. Further information is included in note 18(b) of the financial statements;
- in addition, we have adjusted the share of profit of associates and joint ventures in both 2022 and 2021 to reverse out the impacts on those profits from revaluations of investment property and financial derivatives; and
- we have also reversed out the taxation impacts of the above movements in both the 2022 and 2021 financial years.

2022 Financial performance CONTINUED

Key performance measures

Auckland Airport monitors a wide range of financial and non-financial performance measures. This year we have again considered the most relevant operational and financial measures to assess performance of the business over the longer term and outline these in the following table. Further commentary on these measures is included in the remainder of this Financial Report.

Measure	2022	Restated 2021[1]	Change 2021-2022
Total aircraft seat capacity			
International aircraft seat capacity	2,385,277	1,834,995	30%
Domestic aircraft seat capacity	6,014,790	7,556,978	(20)%
Passenger movements			
International passengers	1,252,761	559,061	124%
International transit passengers	88,114	43,064	105%
Domestic passengers	4,261,271	5,844,734	(27)%
Maximum certified take-off weight (MCTOW)			
International MCTOW (tonnes)	2,115,128	1,771,014	19%
Domestic MCTOW (tonnes)	1,343,150	1,637,867	(18)%
Cargo volume			
Volume of international cargo movements (tonnes)	180,941	166,451	9%
Passenger spend rate (PSR)			
Change in International Terminal PSR			0%
Income per passenger (IPP)			
Retail IPP	$4.08	$2.77	47%
Average revenue per parking space (ARPS)			
Change in ARPS			(1)%
Airport Service Quality (ASQ)			
International	3.93[2]	n/a	n/a
Domestic	4.03[2]	4.20[2]	(4)%
Rent roll			
Annual rent roll $m (property division)	127.5	117.0	9%
EBITDAFI			
EBITDAFI per passenger	$25.80	$26.50	(3)%
Environmental			
Scope 1 and 2 carbon emissions (tCO_2e)	5,279	4,705	12%
Water usage (m^3)	169,138	129,514	31%
Waste landfill (tonnes)	722	843	(14)%

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.
2 As a result of the COVID-19 restrictions, ASQ data was not available for the International Terminal between October 2021 to December 2021 and April 2020 to June 2021 and not available for the Domestic Terminal between October 2021 to December 2021, April 2020 and September 2020.

2022 Financial performance CONTINUED

Revenue

In the 2022 financial year, revenue increased by 7% to $300.3 million, with the resumption in international travel driving higher aeronautical revenue in the year, plus ongoing rental growth. Retail income was similarly higher on prior year, but parking income declined on the prior year reflecting the lower domestic passenger numbers.

The table below summarises revenue by line of business for the financial year to 30 June 2022 and the prior period comparative.

	2022 $M	2021 $M	Change
Operating revenue			
Airfield landing charges	46.5	45.8	2%
Aircraft parking charges	14.4	18.2	(21)%
Total airfield income	60.9	64.0	(5)%
Passenger services charge	33.8	24.2	40%
Total aeronautical income	94.7	88.2	7%
Retail income	22.7	17.8	28%
Car park income	26.2	28.7	(9)%
Total retail and car park income	48.9	46.5	5%
Rental income - Property	112.9	100.5	12%
Rental income - Aeronautical	16.0	14.4	11%
Rental income - Retail	0.8	0.3	167%
Total rental income	129.7	115.2	13%
Rates recoveries	8.6	7.8	10%
Interest income	0.3	4.9	(94)%
Other income	18.1	18.5	(2)%
Total revenue	**300.3**	**281.1**	**7%**

Airfield income

Airfield income comprises both airfield landing charges and aircraft parking charges. Airfield landing charges are based on the MCTOW of aircraft and parking charges are based on the time aircraft are parked on the airfield.

Total airfield income decreased by $3.1 million, or 5%, to $60.9 million with aircraft movements of 86,063, down 13% from the prior year reflecting the reduction in air services as a result of the imposition of travel restrictions.

Total MCTOW across both international and domestic landings increased by 1% in the year. The small increase in MCTOW relative to aircraft movements reflects the recovery of long-haul services in the second half of the financial year, which are provided by larger aircraft compared to smaller short-haul domestic equivalent.

	2022	2021	Change
Aircraft movements			
International	18,315	15,102	21%
Domestic	67,748	83,582	(19)%
Total aircraft movements	**86,063**	**98,684**	**(13)%**
MCTOW (tonnes)			
International MCTOW	2,115,128	1,771,014	19%
Domestic MCTOW	1,343,150	1,637,867	(18)%
Total MCTOW	**3,458,278**	**3,408,881**	**1%**

2022 Financial performance CONTINUED

In addition to responding to challenges in our own business, Auckland Airport recognises we are part of a wider community and that we continued to have a role to play in supporting our industry partners through the COVID-19 disruption. In support of airlines, Auckland Airport continued to suspend certain aircraft parking charges in the year, providing $8.2 million of relief to allow non-operating aircraft to park free of charge.

Airfield parking charges income was $14.4 million in the 2022 financial year, a decrease of 21% on the prior year, driven by fewer aircraft being parked on the airfield given increased flights combined with ongoing relief for the non-operating aircraft parked semi-permanently.

Passenger services charge

Passenger services charge (PSC) income increased by 40% to $33.8 million in the 2022 financial year as a result of increased international passenger movements.

Passenger movements are a significant driver of value for Auckland Airport, with the majority of aeronautical revenue pre-COVID-19 coming from PSCs. International passenger volumes have a greater impact on financial performance than domestic, with the revenue generated by an international passenger being between four and five times that of a domestic passenger.

	2022	2021	Change
Auckland Airport passenger movements			
International arrivals	596,104	261,469	128%
International departures	656,657	297,592	121%
International passengers excluding transits	**1,252,761**	**559,061**	**124%**
Transit passengers	88,114	43,064	105%
Total international passengers	**1,340,875**	**602,125**	**123%**
Domestic passengers	4,261,271	5,844,734	(27)%
Total passenger movements	**5,602,146**	**6,446,859**	**(13)%**

International passenger movements

International passenger numbers, excluding transits, increased by 124% or 693,700 passengers in the year to 30 June 2022. This reflects the gradual removal of international travel restrictions to New Zealand in the final quarter of the financial year.

The start of the financial year saw international demand gradually building due to the operation of quarantine free travel with Australia and the Cook Islands. The outbreaks of Delta in the community resulted in the border being closed and effectively remaining so between August 2021 and February 2022 with international passenger numbers less than 5% of the FY19 equivalent. With the staged reopening of the border from late February 2022, international passenger demand gradually recovered, reaching 42% of the June 2019 equivalent in the final month of the financial year.

2022 Financial performance CONTINUED

The table below shows the top 20 volumes of passenger arrivals by country of last permanent residence to Auckland Airport in the 2022 financial year.

Country of last permanent residence	International passenger arrivals				
	2022	2021	Change	Share of total 2022 arrivals	Share of total 2021 arrivals
New Zealand	321,636	81,032	297%	54%	31%
Australia	151,179	110,782	36%	25%	42%
United Kingdom	18,461	14,235	30%	3%	5%
United States of America	14,712	9,130	61%	2%	3%
India	6,434	2,516	156%	1%	1%
China, People's Republic of	6,030	4,637	30%	1%	2%
Samoa	5,877	2,076	183%	1%	1%
Cook Islands	5,291	3,500	51%	1%	1%
Canada	4,476	2,316	93%	1%	1%
Singapore	3,990	1,561	156%	1%	1%
Hong Kong (Special Administrative Region)	2,739	1,659	65%	0%	1%
Fiji	2,715	1,039	161%	0%	0%
South Africa	2,578	1,424	81%	0%	1%
Korea, Republic of	2,152	864	149%	0%	0%
Germany	2,096	1,204	74%	0%	0%
Malaysia	1,980	676	193%	0%	0%
Japan	1,895	1,118	69%	0%	0%
Tonga	1,528	334	357%	0%	0%
France	1,442	807	79%	0%	0%
Netherlands	1,243	725	71%	0%	0%

Source: Statistics New Zealand

Visitor arrivals by purpose of visit

The most common purpose of international arrivals to New Zealand continued to be holidays (3%) and visiting friends and relatives (8%).

Purpose of visit		2022	2021	Change	Share of total
Foreign residents	Holiday/vacation	11,215	4,476	151%	3%
	Visit friends/relatives	30,688	20,963	46%	8%
	Business/conference	8,411	3,713	127%	2%
	Education/medical	614	331	85%	0%
	Other (Incl. not stated/not captured)	9,156	3,171	189%	2%
New Zealand residents		321,636	81,032	297%	84%

Source: Statistics New Zealand

2022 Financial performance CONTINUED

Domestic passenger movements

Domestic passenger numbers decreased by 27% or 1,583,463 passengers in the year to 30 June 2022. This reflects the extended domestic lockdown in the first half of the year and the impact of elevated Alert Levels in response to the Omicron outbreak.

Following the reduction in Alert Levels, the domestic travel market continues to steadily improve with domestic passenger movements in June 2022 recovering to 87% of the FY19 equivalent.

Aeronautical prices

The financial year to 30 June 2022 was the fifth and final year of the Price Setting Event 3 aeronautical pricing schedule. In response to continued uncertainty in the aviation market and to support airlines during the early phase of the COVID-19 recovery, in January 2022 Auckland Airport's Board agreed to hold aeronautical charges for the first year of Price Setting Event 4, being the year to 30 June 2023, flat with those in 2022. However, the $2.00 (plus GST) Regulatory and Requested Investment ("RRI") Policy in place from 1 October 2021 to 30 June 2022 to partially recover costs of segregating the International Terminal to enable quarantine free travel will not be charged to airlines during the year to 30 June 2023.

Auckland Airport has now begun consultation with our airline customers on aeronautical charges for the remainder of Price Setting Event 4.

	2021 ($)	2022 ($)	2022 price change	2023 ($)
International PSC[1]	15.21	15.49	2%	15.49
Domestic PSC[1]	2.86	3.10	8%	3.10
Regional PSC[1]	2.49	2.64	6%	2.64
Transits PSC[1]	5.66	6.24	10%	6.24

1 PSC charges applied to passengers two years and older.

Retail income

Auckland Airport earns concession revenue from retailers within the Domestic and International Terminals, including Duty Free, Speciality, Luxury and Destination stores, Food and Beverage outlets, Foreign Exchange and Advertising. In addition, retail income is generated through off-airport duty and tax-free sales collected by passengers from our International Terminal's collection points.

2022 Financial performance CONTINUED

Total retail income for the 2022 financial year was $22.7 million, an increase of 28% or $4.9 million on the previous financial year. Auckland Airport's total retail income per passenger was $4.08 for the 2022 financial year, up 47% on the prior year. This reflects the lift in international passengers at the end of the financial year, additional store openings and higher income from The Mall offering.

But with very low international passenger numbers for most of the financial year, the majority of retailers within the International Terminal remained closed. Given these circumstances, Auckland Airport continued to support retailers to manage through the ongoing COVID-19 disruption by providing $173 million of rental abatements in the year. The gradual reopening of the border from March 2022 saw stores begin to reopen, with 55% of stores trading by the end of June.

International passenger spend rates for Duty Free and Destination categories increased over the prior year; however, the total international passenger spend rate was flat as a result of the difficult operating environment including staffing shortages and reduced product supply.

The Mall is our online duty and tax-free shopping experience that allows passengers to purchase across multiple retailers in a single online transaction and collect at both our International and Domestic Terminals. Income lifted 79% over the prior year with an increased retail offering, albeit well below pre-COVID levels given limited international passengers.

Car parking income

Car parking income in the 2022 financial year was $26.2 million, a decrease of $2.5 million or 9% on the prior year.

Following the COVID-19 Delta variant lockdown from August to December 2021, domestic parking rebounded reflecting the resumption in domestic travel and an increased propensity to park relative to other transport options. Domestic exits were down 23% on the prior year, broadly consistent with the decline in domestic passengers.

In response to the increase in domestic car parking demand, Auckland Airport continued to optimise capacity, including repurposing spaces proximate to the International Terminal for public use, repurposing taxi parking areas, upgrading customers to Valet and utilising spare international parking capacity.

With the reopening of the country's border, international parking demand significantly increased in the final quarter of the year with full year exits up 123% on the 2021 financial year, broadly in-line with international passenger growth. All international parking products, including Valet, were opened in the final quarter of the year.

The average revenue per parking space decreased by 1% on the prior year as a result of reduced domestic passengers and capacity taken offline to enable certain physical capital works to commence.

On 8 June 2022, the main car park outside the International Terminal closed to allow enabling works for the new Transport Hub to begin, with the new covered public pick-up/drop-off facility expected to reopen in late 2023. There was an 8% decline in parking capacity in the 2022 financial year primarily from the Transport Hub development. No new carparks were built in the year to 30 June 2022.

Staff parking was moved to Park and Ride in the 2022 financial year which also reduced available public spaces.

2022 Financial performance CONTINUED

The table below outlines the number of car parking spaces available at 30 June 2022 and 30 June 2021.

Parking capacity as at 30 June	2022	2021	Change	Change
Domestic Terminal	2,918	3,118	(200)	(6)%
International Terminal	2,600	3,396	(796)	(23)%
Park and Ride	2,000	3,772	(1,772)	(47)%
Valet	1,995	1,995	-	-
Staff	2,572	800	1,772	222%
Total	**12,085**	**13,081**	**(996)**	**(8)%**

For transport operators that are still severely impacted by international border restrictions, Auckland Airport continued to provide tailored relief packages.

Rental income

Auckland Airport earns rental income from space leased in facilities, such as terminals, cargo buildings and from stand-alone investment properties. Total rental income in the financial year was $129.7 million, an increase of 13% on the prior year.

Property rental income (excluding aeronautical and retail rental income) was $112.9 million in 2022, an increase of $12.4 million, or 12%, on the prior year. Approximately 75% of revenue growth in the year reflected the completion of new property assets and the full-year impact of developments completed during the previous financial year, with the balance due to rent increases, partially offset by an extra $1 million of abatements versus the 2021 financial year for tenants still materially impacted by COVID-19.

Newly completed developments in the year included those for Hellmann Worldwide Logistics and Geodis Wilson, both second facilities for those tenants. Rental income is expected to continue to grow through 2023 and beyond with six industrial developments currently under construction, adding $9 million to investment property rent roll.

Auckland Airport continued to support property tenants in the financial year through $4.9 million of rental abatements, with a focus predominately on those tenants most strongly affected by a drop in passenger numbers.

Income from the ibis Budget Hotel increased $0.2 million, or 7%, compared to the previous financial year. Following the opening of quarantine-free travel, occupancy in the final four months of the year rose to 64% from 26% in the first eight months of the year.

Other income

Other income includes utilities, such as the sale of electricity, gas and water reticulation, plus recoverable charges from tenants. Total income from these sources was $18.1 million, a decrease of $0.4 million, or 2%, on the previous financial year.

2022 Financial performance CONTINUED

Expenses

Total expenses including depreciation, interest and taxation were $300.6 million in the 2022 financial year, a decrease of $54.3 million, or 15%, on the prior year.

Operating expenses

A continuation of Auckland Airport's COVID-19 response strategy resulted in prudent management of operating costs during the year while travel restrictions were still in place. As the recovery began, additional operating costs have been incurred to scale the business for the recovery.

Total operating expenses (i.e. excluding depreciation, interest and taxation) were $155.8 million in the 2022 financial year, an increase of $45.8 million, or 42%, on the prior year.

	2022 $M	Restated 2021[1] $M	Change
Operating expenses			
Staff	50.0	45.6	10%
Asset management, maintenance and airport operations	66.7	53.4	25%
Rates and insurance	21.0	20.8	1%
Marketing and promotions	1.4	1.0	40%
Professional services and levies	4.3	4.0	8%
Fixed asset write-offs and termination costs	6.9	2.5	176%
Reversal of fixed asset impairment and termination costs	-	(19.4)	(100)%
Other expenses	6.1	6.3	(3)%
Expected credit losses	(0.6)	(4.2)	86%
Total operating expenses	**155.8**	**110.0**	**42%**
Depreciation	113.1	120.9	(6)%
Interest	53.7	94.0	(43)%
Taxation	(22.0)	30.0	(173)%
Total expenses	**300.6**	**354.9**	**(15)%**

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.

Staff costs increased by a net $4.4 million, or 10%, in the year. This primarily reflects the increased headcount to scale up the business for the recovery in aviation activity, partially offset by $4.3 million received from the Government wage subsidy scheme (2021: $2.0 million) and an increase in capitalised salaries of $2.5 million following the step up in capital works during the year.

Asset management, maintenance and airport operation expenses increased by $13.3 million, or 25% in the 2022 financial year. This increase similarly reflects a scaling up of activity-based costs such as outsourced operations including baggage handling, bus services supporting airside operations to accommodate Zone B and additional costs associated with Park and Ride and Valet parking to service recovering passenger numbers. Repairs and maintenance activities increased as a result of higher activity levels during the quieter period of the year.

Rates and insurance expenses increased by $0.2 million, or 1%, in 2022 reflecting higher insurance costs.

With the closure of New Zealand's borders for most of the financial year, marketing and promotional activity increased by $0.4 million. This reflects a modest increase of aeronautical marketing to support the recovery in aviation activity.

2022 Financial performance CONTINUED

Fees for professional services increased by $0.3 million, or 8%, to $4.3 million in the 2022 financial year, reflecting the additional consulting work required to support the recovery of the business.

During the 2022 financial year, Auckland Airport wrote-off or impaired $6.9 million of fixed assets associated with capital expenditure projects assessed as sufficiently uncertain to be able to deliver future benefit, or where the scope of the capital works is expected to change, rendering certain design expenditure obsolete. Examples include early design works for the Pukaki Bridge replacement, Park and Ride South, the northern runway and the domestic Strata Lounge.

Other expenses decreased by $0.2 million, or 3%, in the 2022 financial year. This included reduced office overheads, total payments to directors and other corporate expenditure. In addition, Auckland Airport subsequently recovered a net $0.6 million from debtors in the year that was provided as expected credit losses in the prior year.

Depreciation

Depreciation expense in the 2022 financial year was $113.1 million, a decrease of $7.8 million, or 6%, on the previous financial year. This was primarily due to the recent IFRIC accounting decision that no longer allows capitalisation of most configuration and customisation costs for software as a service applications (SaaS). This lowered 2022 depreciation by $4.2 million and increased 2022 operating costs by $0.1 million, the latter reflecting ongoing SaaS investment that is now immediately expensed. There were also lower depreciation charges from a number of assets reaching their end of life during the 2021 and 2022 financial years.

Interest

Interest expense fell in the 2022 financial year to $53.7 million, a decrease of $40.3 million, or 43%, on the prior year. The decrease was dominated by $23.5 million of one-off costs associated with the prepayment of USPP debt in June 2021 and the associated close-out of cross-currency and interest rate swap costs.

Excluding these one-off costs in the prior year, normalised interest expense in the 2022 financial year decreased 22% to $54.4 million. This reflected lower average debt levels in the current year.

Taxation

Taxation credit was $22.0 million in the 2022 financial year, a decrease in expense of $52.0 million on the previous year. This largely reflects the deferred tax impact of revaluation movements of the non-land component of investment property and financial derivatives. These fair value movements are excluded from underlying tax, which resulted in an underlying tax expense of $0.6 million, $16.5 million higher underlying tax expense than the $15.9 million underlying tax credit in 2021. Underlying tax also excludes the tax effect of the reversal of fixed asset write-offs, impairments and termination costs.

Share of profit from associates

Our total share of the profit from associates in the 2022 financial year was a loss of $12.8 million, $33.9 million below our $21.1 million share of profit of associates in the 2021 financial year. This loss comprised our share of the Tainui Auckland Airport Hotel Limited Partnership (TAAH) profit of $7.4 million, our share of Queenstown Airport's profit of $0.3 million, and a revaluation loss from the Tainui Auckland Airport Hotel 2 Limited Partnership (TAAH2) of $20.5 million.

On an underlying basis, these fair value adjustments are excluded and this resulted in an underlying share of profit of associates of $4.4 million which comprised $4.1 million from TAAH, nil from TAAH2 and $0.3 million from Queenstown Airport. This was a $1.0 million reduction on the $5.4 million profit in the 2021 financial year.

2022 Financial performance CONTINUED

Queenstown Airport

Queenstown Airport's net profit after tax for the 2022 financial year decreased by 35% to $1.1 million. Auckland Airport’s 24.99% share of Queenstown Airport’s net profit after tax was $0.3 million, a $0.1 million decrease on the $0.4 million in the previous financial year.

	2022 $M	2021 $M	Change
Financial performance			
Total revenue	26.8	27.8	(4)%
EBITDAFI	14.0	17.1	(18)%
Total net profit after tax	1.1	1.7	(35)%
Passenger performance			
Domestic passenger volume	1,096,655	1,311,416	(16)%
International passenger volume	37,889	25,280	50%
Total passengers	**1,134,544**	**1,336,696**	**(15)%**

Queenstown Airport's passenger volumes were down 15% to 1,134,544 in the 2022 financial year with international passengers up 50% on the prior year due to the gradual relaxation of COVID-19 border restrictions in the last four months of the financial year. Domestic passengers were down by 16% on the 2021 financial year reflecting the protracted domestic travel restrictions from the COVID-19 Delta and Omicron outbreaks.

In the 2022 financial year, Auckland Airport did not receive a dividend from our investment in Queenstown Airport. On 16 August 2022, the directors of Queenstown Airport declared a final dividend of $1.3 million for the year ended 30 June 2022. The group’s share of the dividend is $0.3 million.

Tainui Auckland Airport Hotel Limited Partnership

Auckland Airport has a 50% investment in the Novotel hotel joint venture with Tainui Group Holdings.

In the 2022 financial year, Auckland Airport’s share of underlying profit from this investment was $4.1 million, a decrease of $0.9 million, or 18%, compared with the previous year. Auckland Airport's share of the joint venture's reported profit in the 2022 financial year was $7.3 million, which includes $2.0 million of property revaluation gains and $1.3 million of derivative fair value gains.

The Novotel hotel was used exclusively as a managed isolation facility for the entire 2022 financial year and, following an extensive refurbishment, was reopened to the public in July 2022.

Tainui Auckland Airport Hotel 2 Limited Partnership

Auckland Airport has a 50% investment in the Pullman Hotel joint venture with Tainui Group Holdings Limited.

The partnership continued construction the 311 room five-star Pullman Hotel during the year with construction broken into two phases, the first phase to complete the structure and full exterior so that the building is weather-tight. The second phase to complete the remaining interior fit-out works of the hotel commenced during the financial year.

Two of Auckland Airport’s senior management team members are directors on the board of the partnership. No directors' fees are paid in relation to these appointments, but the skills and experience of these directors are being utilised to protect and grow Auckland Airport’s investment.

2022 Financial performance CONTINUED

In the 2022 financial year, Auckland Airport's share of underlying profit from this investment was nil. Auckland Airport's share of the joint venture's reported loss in the 2022 financial year was $20.5 million, entirely reflecting the revaluation loss.

Fair value changes

In the 2022 financial year, investment property fair value changes resulted in a gain in the income statement of $204.4 million. The main drivers of this fair value increase were a $119.0 million uplift for the industrial category driven by continued capitalisation rate compression and a $59.0 million uplift for vacant land driven by higher valuation rates per square metre.

The land asset class within property, plant and equipment was revalued as at 30 June 2022. These revaluations resulted in a combined $386.2 million decrease in the carrying value of this asset class, comprising of a $2.5 million expense to reported profit (representing downwards revaluations in excess of prior revaluation reserve balances for certain assets) and a $383.7 million decrease in revaluation reserve (representing downwards revaluations limited to previous revaluations booked to reported revaluation reserve).

During the year, the buildings asset class within property, plant and equipment was revalued. The last occurrence was at the financial year ended 30 June 2019. The revaluation resulted in an increase of $460.6 million in the carrying value. There was an increase of $459.5 million to the revaluation reserve and net increase of $1.1 million that positively impacted the profit and loss.

2022 Financial position

As at 30 June	2022 $M	Restated 2021[1] $M	Change
Non-current assets	10,078.1	9,651.5	4%
Current assets	74.8	125.8	(41)%
Total assets	**10,152.9**	**9,777.3**	**4%**
Non-current liabilities	1,391.9	1,521.8	(9)%
Current liabilities	610.1	326.0	87%
Equity	8,150.9	7,929.5	3%
Total equity and liabilities	**10,152.9**	**9,777.3**	**4%**

1 The 2021 comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2 of the Financial Statements.

As at 30 June 2022, the book value of Auckland Airport's total assets was $10,152.9 million, an increase of $375.6 million, or 4%, on the prior financial year. The increase in total assets reflects the combined effects the $204.4 million investment property revaluation gain, the $1.4 million revaluation loss relating to land within the property, plant and equipment asset class and net capital expenditure in the year of $253.1 million after capital expenditure impairments.

Shareholders' equity as at 30 June 2022 increased by $221.4 million, or 3%, on 30 June 2021. The movement in equity largely reflects the investment property revaluation gains which are included in retained earnings and property, plant and equipment revaluation gains which are predominantly reflected in the property, plant and equipment revaluation reserve.

Gearing, measured as debt to debt plus the market value of shareholders' equity, increased to 15.6% as at 30 June 2022, from 15.3% as at 30 June 2021.

Capital expenditure

As part of our COVID response strategy, Auckland Airport suspended most of its aeronautical investment programme in 2020. In the 2021 financial year, Auckland Airport reset the infrastructure plan to align development activity with the expected recovery in aviation activity.

For the financial year to 30 June 2022, gross capital expenditure totalled $260.0 million (before impairments), up 32% on the prior year reflecting increased activities on aeronautical related projects. Adjusting for $6.9 million of write-offs and impairments, net capital expenditure for the year was $253.1 million. Consistent with the prior year, the majority of activity was focused on the completion of existing projects and asset resilience and renewal initiatives. Work also continued on two key strategic projects: the enabling works associated with the integration of the Domestic and International Terminals, and the completion of a major upgrade to the precinct's roading network.

2022 Financial position CONTINUED

The table below summarises capital expenditure in the year and the associated key projects.

Category	2022 Gross capex $M	2022 Write-offs and impairments $M	2022 Net capex $M	2021 Net capex $M	% change	Key 2022 projects
Aeronautical	125.6	(6.2)	119.4	47.0	154%	Activity in the year included airfield slab and apron renewals, upgrades to the existing airfield fuel network, airbridge refurbishments and terminal renewals. In addition, design and enabling activity continued and construction commenced on elements of the terminal integration programme.
Infrastructure and other	67.7	(0.6)	67.1	74.1	(9)%	Activity in the year largely comprised the completion of the Northern Transport Network and the International Terminal landside enabling projects. These projects delivered a new exit road for the International Terminal, improved pedestrian facilities, upgrades to George Bolt Memorial Drive and infrastructure works to enable future terminal development. In addition, Auckland Airport continued to invest in campus-wide utility infrastructure and core operating, security and technology systems.
Property	54.8	-	54.8	72.5	(24)%	Activity in the year included the completion of pre-leased developments for Hellmann Worldwide Logistics and Geodis Wilson, continuation of a pre-leased warehouse development scheduled for completion in 2023 and the commencement of design or construction activity on four pre-leased and one speculative warehouse developments which are scheduled for delivery across 2023 and 2024. In addition, construction activity commenced on the Mānawa Bay Outlet Centre and continued on the Te Ārikinui Pullman Auckland Airport Hotel.
Retail	0.4	-	0.4	1.1	(64)%	Retail capital expenditure in 2022 included the continued investment in The Mall, Auckland Airport's omni-channel retail platform.
Car parking	11.5	(0.1)	11.4	1.0	1,040%	Activity in the year primarily related to planning and enabling works for the new multi storey Transport Hub which is scheduled to become operational in the 2024 financial year.
Total	**260.0**	**(6.9)**	**253.1**	**195.7**	**29%**	

Capital expenditure outlook for FY23

Capital investment for the year to 30 June 2023 will primarily involve commencing or continuing delivery phases for strategic projects including terminal integration, development of a new Transport Hub opposite the International Terminal, development of the Mānawa Bay Outlet Centre and design work for regional services at the Domestic Terminal. In addition, design and construction activity on roading projects is planned to increase vehicle capacity on the southern and eastern roading networks.

The property development pipeline for the 2023 financial year remains strong with activity planned on four pre-leased and one speculative development. Also, investment in core airfield and terminal renewals such as runway slab / apron replacements, airfield ground lighting and fire system upgrades will be continued.

2022 Financial position CONTINUED

In view of the developments outlined, capital expenditure for the 2023 financial year is forecast to be between $600 million and $700 million.

Category	Forecast range Low $M	High $M
Aeronautical	209.0	261.0
Infrastructure and other	66.0	78.0
Property development	185.0	205.0
Retail and car parking	140.0	156.0
Total capital expenditure	**600.0**	**700.0**

Aeronautical activity in the 2023 financial year will be primarily focused on progressing enabling and construction activity on several initiatives that form part of the terminal integration programme including the east bag hall at the International Terminal, relocation of some airside facilities and a new western truck dock. Upgrades to arrivals to accommodate increased screening requirements are also planned for 2023 alongside construction of the Transport Hub. In addition, design work will be progressed on increasing regional capacity at the current Domestic Terminal. Airfield and terminal renewal works will continue as well, but in 2023 there will be a stronger focus on asset renewals at the Domestic Terminal.

Infrastructure and other projects in the 2023 financial year include commencing delivery of upgrades to the eastern and southern roading networks, investment in core utility networks, core IT infrastructure including a major upgrade to the campus fibre network to ensure diversification and resilience of service, server upgrades and investment in cyber security.

Property projects planned for 2023 include the completion of a preleased warehouse development and the Kerry Logistics expansion, and progressing the design and construction activity on four pre-leased developments and one speculative warehouse development. Auckland Airport will also continue to explore opportunities for new pre-leased developments. In addition, construction activity will continue on the Mānawa Bay Outlet Centre and the Te Ārikinui Pullman Auckland Airport Hotel.

Aside from the development of the Transport Hub, Auckland Airport plans to recommence development of the Park and Ride South project which was placed on hold in 2020. This project will provide car parking capacity to offset the loss of parking spaces during the construction of the Transport Hub and provide laydown and contractor parking facilities which will be required for the large terminal integration works and other strategic development projects.

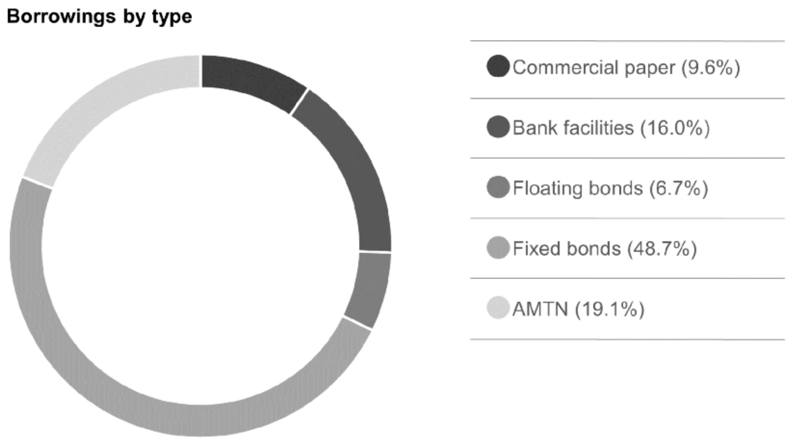
2022 Financial position CONTINUED

Borrowings

As at 30 June 2022, Auckland Airport's total borrowings were $1,476.7 million, an increase of $83.8 million or 6% on the previous year. The increase in borrowings reflects new borrowings during the year partially offset by decreases in the fair value of existing debt owing to increases in market interest rates.

As at 30 June 2022, Auckland Airport's borrowings comprised: AMTN notes totalling $279.8 million; New Zealand fixed rate bonds totalling $716.2 million; New Zealand floating rate bonds totalling $100.0 million; drawn bank facilities totalling $238.0 million; and commercial paper totalling $142.6 million.

Short-term borrowings with a maturity of one year or less totalled $515.6 million as at 30 June 2022 and comprised $142.6 million of commercial paper, $100m million of floating rate bonds, $200 of New Zealand fixed rate bonds and $73.0 million of drawn bank facilities.



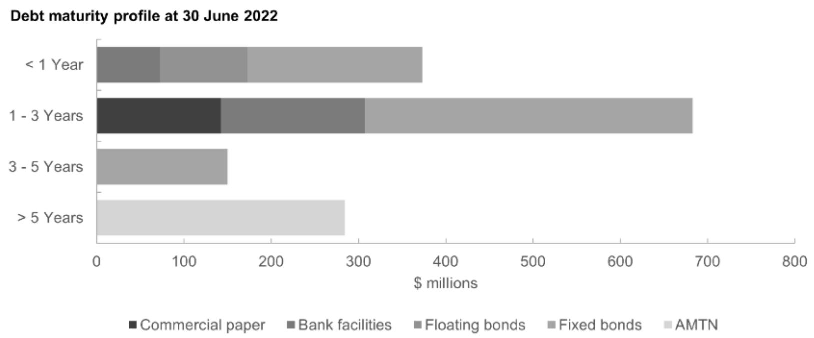
The AMTN borrowings were revalued downwards at year-end reflecting higher interest rates. The AMTN debt carrying value decreased by $36.0 million. The interest rate movement was matched by equal and offsetting movements in the fair value of the associated cross-currency interest rate swaps.

As at 30 June 2022, Auckland Airport had fixed rate bonds outstanding with a face value of $725.0 million and floating rate notes of $100.0 million. A new $150 million bond, issued in November 2021, has a matching fair value interest rate swap that converts the fixed interest payments to a floating rate exposure. This fair value relationship resulted in the carrying value of the new bonds being revalued down by $8.8 million at June 2022. As with the cross-currency swaps there was an equal and opposite movement in the carrying value of the associated financial derivative. A full breakdown of the maturities of these notes is available in note 18(a) of the Financial Statements.

As at 30 June 2022, Auckland Airport had total bank facilities of $1,192.5 million, of which $238.0 million was drawn and $954.5 million was available in a standby capacity. As at 30 June 2022, Auckland Airport had a mix of drawn and undrawn facilities with all eight banking counterparties, a full breakdown of which is available in note 18(d) of the financial statements.

2022 Financial position CONTINUED

The commercial paper programme had a balance of $142.6 million at 30 June 2022. As the commercial paper is supported by undrawn facilities which mature in April 2025, they are included in the one-to-three year bracket for the purpose of the following debt maturity profile chart as at 30 June 2022, matching the maturity of the supporting bank facilities.



Auckland Airport manages its exposure to financial risk on a prudent basis. This is achieved by spreading borrowings across various interest rate reset and maturity dates, and entering into financial instruments, such as interest rate swaps, in accordance with defined treasury policy parameters.

In the past year, Auckland Airport managed the impact of interest rate fluctuations by maintaining a policy-mandated level of fixed-rate borrowings. Further details on Auckland Airport's financial risk management objectives and policies are set out in note 18(d) of the financial statements.

Credit metrics and key lending covenants	Covenant	2022	2021
Gearing	≤ 60%	15.6%	15.3%
Interest Coverage	≥ 1.25x	2.58x	2.07x
Debt to enterprise value		12.3%	11.6%
Net debt to enterprise value		12.1%	10.9%
Funds from operations interest cover	≥ 2.5x	2.6x	1.5x
Funds from operations to net debt	≥ 11.0%	6.4%	3.9%
Weighted average interest cost		4.32%	5.43%
Average debt term to maturity		2.29	2.92
Percentage of fixed borrowings		71.5%	80.4%

Credit rating

As at 30 June 2022, Standard & Poor's long-term credit rating of Auckland Airport was 'A- Stable' and the short-term credit rating was 'A2'.

2022 Financial position CONTINUED

Cash flow

Cash flow summary	2022 $m	2021 $m	Change
Net cash inflow from operating activities	101.2	60.6	67%
Net cash outflow from investing activities	(283.2)	(216.1)	(31)%
Net cash inflow / (outflow) from financing activities	127.2	(530.3)	124%
Net increase (decrease) in cash held	**(54.8)**	**(685.8)**	92%

Net cash inflow from operating activities was $101.2 million in the 2022 financial year, an increase of $40.6 million, or 67%, on the previous financial year. This reflected increased business activity following the relaxation of travel restrictions during the year.

Net cash outflow applied to investing activities was $283.2 million in the 2022 financial year, an increase of $67.1 million, or 31% reflecting increased capital expenditure on infrastructure and commercial property during the year.

Net cash inflow from financing activities was $127.2 million in the 2022 financial year, an increase of $657.5 million, on the previous financial year which included the prepayment of all USPP borrowings. The inflow for the current year was a result of additional borrowings undertaken in 2022, partially offset by a repayment of maturing facilities.

2022 Returns for shareholders

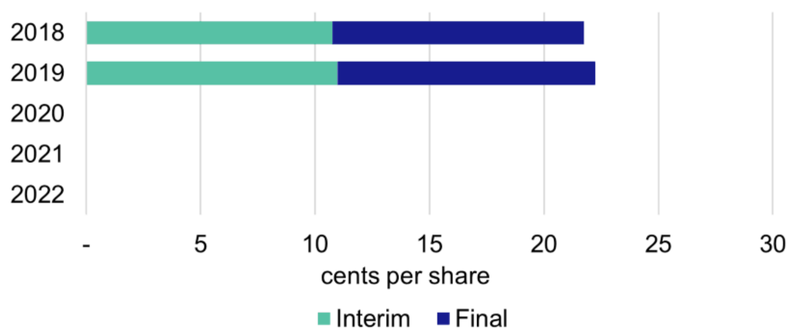
Dividend policy

Auckland Airport's usual dividend policy (prior to the dividend restrictions in place until 31 December 2022 as a result of more lenient lending covenants negotiated with our banking partners in July 2021 and February 2022) is to pay out 100% of underlying net profit after tax (excluding unrealised gains and losses arising from a revaluation of property or treasury instruments and other one-off items), noting that, in special circumstances, the directors may consider the payment of ordinary dividends above or below this level, subject to the company's cash flow requirements, forecast credit metrics and outlook at the time.

In accordance with the banking covenant agreements negotiated in February 2022, Auckland Airport will not be able to pay any dividends until the final dividend for the 2023 financial year, which is usually paid in October. Therefore, no dividend has been declared for the 2022 financial year. In line with the same agreements, until Auckland Airport reports EBITDA interest coverage of at least 3.0 times for a 12 month measurement period ended either 30 June or 31 December, any dividend payments must not exceed underlying profit for the period.

The dividend policy is reviewed annually.

Distribution history



Share price performance and total shareholder returns

Auckland Airport's share price at 30 June 2022 was $7.18, a nine cent decrease on the 30 June 2021 equivalent.

Total shareholder return over the five-year period to 30 June 2022 was 1.3%.

Five-year compound average total shareholder return

	Share price opening	Share price closing	Dividends	Total return	Average annual shareholder return
	$	$	$	$	
1 July 2017 to 30 June 2022	7.13	7.18	0.44	0.49	1.3%

Financial statements

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $M	Restated[1] 2021 $M
Income			
Airfield income		60.9	64.0
Passenger services charge		33.8	24.2
Retail income		22.7	17.8
Rental income		129.7	115.2
Rates recoveries		8.6	7.8
Car park income		26.2	28.7
Interest income		0.3	4.9
Other income		18.1	18.5
Total income		300.3	281.1
Expenses			
Staff	5	50.0	45.6
Asset management, maintenance and airport operations		66.7	53.4
Rates and insurance		21.0	20.8
Marketing and promotions		1.4	1.0
Professional services and levies		4.3	4.0
Fixed asset write-offs, impairment and termination costs	5	6.9	2.5
Reversal of fixed asset impairment and termination costs	5	-	(19.4)
Other expenses		6.1	6.3
Expected credit losses/(release)		(0.6)	(4.2)
Total expenses		155.8	110.0
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[2]		144.5	171.1
Investment property fair value change	12	204.4	527.3
Property, plant and equipment fair value change	11(a)	(1.4)	(7.5)
Derivative fair value change	18(b)	1.7	(0.5)
Share of profit of associate and joint ventures	8	(12.8)	21.1
Earnings before interest, taxation and depreciation (EBITDA)[2]		336.4	711.5
Depreciation	11(a)	113.1	120.9
Earnings before interest and taxation (EBIT)[2]		223.3	590.6
Interest expense and other finance costs	5	53.7	94.0
Profit before taxation		169.6	496.6
Taxation expense/(benefit)	7(a)	(22.0)	30.0
Profit after taxation attributable to the owners of the parent		191.6	466.6

	Notes	Cents	Cents
Earnings per share			
Basic earnings per share	10	13.02	31.70
Diluted earnings per share	10	13.01	31.69

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.
2 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to note 3(e) for more information.

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $M	Restated[1] 2021 $M
Profit for the year		191.6	466.6
Other comprehensive income			
Items that will not be reclassified to the income statement			
Net property, plant and equipment revaluation movement	11(a), 16(b)	75.8	769.9
Tax on the property, plant and equipment revaluation reserve	16(b)	(128.5)	-
Movement in share of reserves of associate and joint ventures	8, 16(f)	13.9	8.2
Items that will not be reclassified to the income statement		(38.8)	778.1
Items that may be reclassified subsequently to the income statement:			
Cash flow hedges			
Fair value losses/(gains) recognised in the cash flow hedge reserve	16(d)	85.5	57.7
Realised gains transferred to the income statement	16(d)	9.1	12.1
Tax effect of movements in the cash flow hedge reserve	16(d)	(26.5)	(19.5)
Total cash flow hedge movement		68.1	50.3
Movement in cost of hedging reserve	16(e)	(0.8)	3.9
Tax effect of movement in cost of hedging reserve	16(e)	0.2	(1.1)
Items that may be reclassified subsequently to the income statement		67.5	53.1
Total other comprehensive income		28.7	831.2
Total comprehensive income for the year, net of tax attributable to the owners of the parent		220.3	1,297.8

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Issued and paid-up capital $M	Cancelled share reserve $M	Property, plant and equipment revaluation reserve $M	Share-based payments reserve $M	Cash flow hedge reserve $M	Cost of hedging reserve $M	Share of reserves of associate and joint ventures $M	Retained earnings $M	Total $M
For the year ended 30 June 2022										
At 1 July 2021 (restated)		1,679.2	(609.2)	5,099.9	2.0	(50.4)	(1.1)	37.0	1,772.1	7,929.5
Profit for the year		-	-	-	-	-	-	-	191.6	191.6
Other comprehensive income		-	-	(52.7)	-	68.1	(0.6)	13.9	-	28.7
Total comprehensive income		-	-	(52.7)	-	68.1	(0.6)	13.9	191.6	220.3
Reclassification to retained earnings	16(b)	-	-	(7.0)	-	-	-	-	7.0	-
Shares issued	15	1.0	-	-	-	-	-	-	-	1.0
Long-term incentive plan	16(c)	-	-	-	0.1	-	-	-	-	0.1
At 30 June 2022		1,680.2	(609.2)	5,040.2	2.1	17.7	(1.7)	50.9	1,970.7	8,150.9
For the year ended 30 June 2021										
At 1 July 2020 (restated)		1,678.6	(609.2)	4,333.7	1.6	(100.7)	(3.9)	28.8	1,301.8	6,630.7
Profit for the year (restated)		-	-	-	-	-	-	-	466.6	466.6
Other comprehensive income		-	-	769.9	-	50.3	2.8	8.2	-	831.2
Total comprehensive income (restated)		-	-	769.9	-	50.3	2.8	8.2	466.6	1,297.8
Reclassification to retained earnings	16(b)	-	-	(3.7)	-	-	-	-	3.7	-
Shares issued	15	0.6	-	-	-	-	-	-	-	0.6
Long-term incentive plan	16(c)	-	-	-	0.4	-	-	-	-	0.4
At 30 June 2021 (restated)		1,679.2	(609.2)	5,099.9	2.0	(50.4)	(1.1)	37.0	1,772.1	7,929.5

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2022

	Notes	2022 $M	Restated[1] 2021 $M
Non-current assets			
Property, plant and equipment	11(a)	6,986.1	6,826.5
Investment properties	12	2,897.4	2,641.4
Investment in associate and joint ventures	8	166.5	154.4
Derivative financial instruments	18	28.1	29.2
		10,078.1	9,651.5
Current assets			
Cash and cash equivalents	13	24.7	79.5
Trade and other receivables	14	28.5	25.4
Taxation receivable		21.6	20.9
		74.8	125.8
Total assets		10,152.9	9,777.3

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

	Notes	2022 $M	Restated[1] 2021 $M
Shareholders' equity			
Issued and paid-up capital	15	1,680.2	1,679.2
Reserves	16	4,500.0	4,478.2
Retained earnings		1,970.7	1,772.1
		8,150.9	7,929.5
Non-current liabilities			
Term borrowings	18(a)	961.0	1,172.8
Derivative financial instruments	18	15.7	67.9
Deferred tax liability	7(c)	411.9	278.3
Other term liabilities		3.3	2.8
		1,391.9	1,521.8
Current liabilities			
Accounts payable and accruals	17	87.1	103.4
Derivative financial instruments	18	0.9	1.9
Short-term borrowings	18(a)	515.6	220.0
Provisions	21	6.5	0.7
		610.1	326.0
Total equity and liabilities		10,152.9	9,777.3

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

These financial statements were approved and adopted by the Board on 18 August 2022.

Signed on behalf of the Board by

Patrick Strange
Director, Chair of the Board

Julia Hoare
Director, Chair of the Audit and Financial Risk Committee

Consolidated cash flow statement

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $M	Restated[1] 2021 $M
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		287.0	271.2
Interest received		0.3	4.9
		287.3	276.1
Cash was applied to:			
Payments to suppliers and employees		(134.6)	(116.9)
Income tax paid/(received)		-	(0.6)
Interest paid		(51.5)	(98.0)
		(186.1)	(215.5)
Net cash flow from operating activities	6	101.2	60.6
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		0.4	0.4
Repayment of partner contribution/dividends received from associate and joint ventures	8	3.0	5.0
		3.4	5.4
Cash was applied to:			
Property, plant and equipment additions		(224.8)	(141.5)
Interest paid - capitalised	11(a), 12	(8.0)	(6.5)
Investment property additions		(39.8)	(58.1)
Investment in joint ventures	8	(14.0)	(15.4)
		(286.6)	(221.5)
Net cash flow applied to investing activities		(283.2)	(216.1)
Cash flow from financing activities			
Cash was provided from:			
Increase in borrowings	18(a)	200.6	105.0
Settlement of cross-currency interest rate swaps		(1.4)	79.6
		199.2	184.6
Cash was applied to:			
Decrease in borrowings	18(a)	(72.0)	(714.9)
		(72.0)	(714.9)
Net cash flow applied to financing activities		127.2	(530.3)
Net (decrease)/increase in cash held		(54.8)	(685.8)
Opening cash brought forward		79.5	765.3
Ending cash carried forward	13	24.7	79.5

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

The notes and accounting policies on pages 31 to 79 form part of, and are to be read in conjunction with, these financial statements.

Notes and accounting policies

FOR THE YEAR ENDED 30 JUNE 2022

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

1. Corporate information

Auckland International Airport Limited (the company or Auckland Airport) is a company established under the Auckland Airport Act 1987 and was incorporated on 20 January 1988 under the *Companies Act 1955*. The original assets of Auckland Airport were vested in the company on 1 April 1988 and 13 November 1988 by an Order in Council of the New Zealand Government. The company commenced trading on 1 April 1988. The company was re-registered under the *Companies Act 1993* on 6 June 1997. The company is an FMC reporting entity under Part 7 of the *Financial Markets Conduct Act 2013*.

The financial statements presented are for Auckland Airport and its wholly owned subsidiaries, associate and joint ventures (the group). There are five active subsidiaries in the group. Auckland Airport Limited holds the group's investment in Queenstown Airport in New Zealand. Auckland Airport Holdings (No. 2) Limited holds the group's investment in the Tainui Auckland Airport Hotel Limited Partnership, which operates the Novotel hotel at Auckland Airport and the Tainui Auckland Airport Hotel 2 Limited Partnership, which is constructing a new Pullman hotel at Auckland Airport.

A third subsidiary, Auckland Airport Holdings (No. 3) Limited, wholly owns Ara Charitable Trustee Limited, which operates the Ara Charitable Trust (the Auckland Airport Jobs and Skills Hub). The other two subsidiaries are the Auckland International Airport Limited Share Purchase Plan and the Auckland Airport Limited Executive Long-Term Incentive Plan, which are consolidated because the company has control of the plans (refer note 23).

All the subsidiaries are incorporated in New Zealand.

Auckland Airport provides airport facilities, supporting infrastructure and aeronautical services in Auckland, New Zealand. The group earns revenue from aeronautical activities, on-airport retail concessions and car parking facilities, stand-alone investment properties and other charges and rents associated with operating an airport.

These financial statements were authorised for issue in accordance with a resolution of the directors on 18 August 2022.

2. Summary of significant accounting policies

(a) Basis of preparation

Statutory base

These financial statements have been prepared in accordance with the requirements of Part 7 of the *Financial Markets Conduct Act 2013* and the NZX *Main Board and Debt Market Listing Rules*.

Measurement base

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

When the group applies fair value hedges to borrowings, the carrying value of the borrowings are adjusted for fair value changes attributable to the risk being hedged.

Presentation currency

These financial statements are presented in New Zealand dollars, and all values are rounded to the nearest million dollars ($M) and one decimal point unless otherwise indicated.

(b) Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS). Refer to note 3(e) for disclosure of non-GAAP financial information presented in these financial statements. These financial statements are prepared on a going concern basis.

(c) New accounting standards and interpretations

The accounting policies set out in these financial statements are consistent for all periods presented except as identified below.

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision clarifying the accounting treatment for configuration and customisation costs associated with cloud computing arrangements. The new interpretation only permits capitalisation in limited circumstances and in many instances configuration and customisation costs must be recognised as an operating expense. The group previously capitalised configuration and customisation costs for cloud computing arrangements.

In response to this interpretation, the group has now completed its analysis of configuration and customisation costs associated with cloud computing arrangements, resulting in retrospective restatements of the following historical financial information:

- The statement of financial position as at 30 June 2020;
- The income statement for the year ended 30 June 2021;
- The cash flow statement for the year ended 30 June 2021; and
- The statement of financial position as at 30 June 2021.

The adjusted amounts presented in these financial statements are as follows:

30 June 2021	Audited 30 Jun $M	Adjustment 30 Jun $M	Restated 30 Jun $M
Items from the income statement			
Professional services and levies	3.6	0.4	4.0
Depreciation	124.7	(3.8)	120.9
Taxation expense/(benefit)	29.0	1.0	30.0
Profit after taxation	**464.2**	**(2.4)**	**466.6**
Items from the statement of financial position			
Property, plant and equipment	6,832.0	(5.5)	6,826.5
Retained earnings	1,776.1	(4.0)	1,772.1
Deferred tax liability	279.8	(1.5)	278.3
Items from the cash flow statement			
Payments to suppliers and employees	(116.5)	(0.4)	(116.9)
Property, plant and equipment additions	(141.9)	0.4	(141.5)

30 June 2020	Audited 30 Jun $M	Adjustment 30 Jun $M	Restated 30 Jun $M
Items from the statement of financial position:			
Property, plant and equipment	6,060.8	(8.9)	6,051.9
Retained earnings	1,308.2	(6.4)	1,301.8
Deferred tax liability	231.7	(2.5)	229.2

The group has applied the new interpretation during the year ended 30 June 2022. Operating costs are higher by $0.1 million and depreciation is lower by $4.2 million than would have been reported under the group's previous policy. The group has revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing cloud computing arrangements. The new accounting policy is as follows:

Cloud computing arrangements

Cloud computing arrangements include software as a service, platform as a service, infrastructure as a service and other similar hosting arrangements (i.e. an arrangement in which an end-user of the software does not take possession of the software). The group applies judgement to assess whether there is sufficient control in a cloud computing arrangement to permit capitalisation of the configuration and customisation costs. The group considers the following indicators:

- The group has the contractual right to take possession of the software at any time during the hosting period without significant penalty;
- The group can run software on its own hardware or can contract with another vendor to host the software;
- The group can control who can use any software modifications and the vendor cannot make them available to other customers; and
- The group can control the frequency and acceptance of software updates.

If the cloud computing arrangement meets the definition and recognition criteria, then the cost of configuration and customisation is recognised as an asset. If the recognition criteria and definition are not met, the cost of configuration and customisation is recognised as an operating expense. However, if the configuration and customisation were performed by the software supplier, the group also considers whether that upfront service is distinct from the cloud computing arrangement. If it is not distinct, then the operating expense may be initially treated as a prepayment and expensed over the term of the cloud computing arrangement.

Climate-related disclosure standard

In 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) to review how the financial sector can take account of climate-related issues.

In 2017, the TCFD released recommendations for climate-related financial disclosures which promote transparency leading to better climate-risk management. The recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These are intended to interlink and inform each other.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

2. Summary of significant accounting policies CONTINUED

In 2021, the New Zealand Government passed legislation to enable mandatory climate-related disclosures for large publicly listed companies, insurers, banks, non-bank deposit takers and investment managers. This means that from 1 July 2023, Auckland Airport will be required by law to publish annual disclosures on the impact climate change has on the business. The New Zealand External Reporting Board (XRB) has published a suite of draft standards in line with the recommendations of the TCFD, the global best practice benchmark for climate-related reporting. The final standards are expected to be published in December 2022.

This year Auckland Airport published its second voluntary Climate Change Disclosure Repoert following the recommendations of the TCFD. Advancements from the 2021 disclosure include:

- Escalation of climate-related risk classification, subjecting it to greater oversight from the chief executive and Board .
- Expansion of transitional climate-related risks and controls, and climate-related opportunities.
- Further flooding and inundation modelling across the airport precinct, which identified that without intervention, infrastructure close to or draining to the coastline will be subject to more frequent and severe flooding and inundation in the long-term (circa 2110). However, planned upgrades to the stormwater network and surrounding infrastructure in the near term and further long term flood management responses will mitigate this risk. This additional modelling was conducted under three Representative Concentration Pathways (RCPs) outlined in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report.

These advancements are also in accordance with the XRB's draft climate-related disclosure standards. Auckland Airport will continue to mature its Climate Change Disclosure and intends to apply the XRB's standards from 1 July 2022, a year ahead of the mandatory requirement.

There are no other new or amended standards that are issued but not yet effective that are expected to have a material impact on the group.

(d) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries over which the group has control. On consolidation, all inter-company balances and transactions, income and expenses, and profit and losses resulting from transactions within the group have been eliminated in full.

(e) Investments in associate and joint ventures

The equity method of accounting is used for the investment over which the group has significant influence but not a controlling interest, as well as the investments classified as joint ventures, where the group maintains joint control.

Under the equity method, the investment is carried at cost plus post-acquisition changes in the group's share of net assets of the associate less impairment losses. Goodwill relating to the associate is included in the carrying amount of the investment.

The group's share of the associate and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves and the property, plant and equipment revaluation reserve is recognised in other comprehensive income and accumulated as a separate component of equity in the share of reserves of associate and joint ventures. The post-acquisition movements are included after adjustments to align the accounting policies with those of the group.

(f) Property, plant and equipment

Properties held for airport operations purposes are classified as property, plant and equipment.

Property, plant and equipment are initially recognised at cost.

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

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

Revaluations

Revaluation increases are recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve, except to the extent that they reverse a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement.

Revaluation decreases are recognised in the income statement, except to the extent that they offset a previous revaluation increase for the same asset, in which case the decrease is recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amount of an asset, less any residual value, over its estimated useful life.

The estimated useful lives of property, plant and equipment are as follows:

Land (including reclaimed land)	Indefinite
Buildings and services	5 - 50 years
Infrastructural assets	5 - 80 years
Runway, taxiways and aprons	12 - 40 years
Vehicles, plant and equipment	3 - 10 years

Leased assets
Space within the terminals and certain properties used for aeronautical purposes, where the group acts as a lessor, are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, sales-based concession fees and adjustments to rentals depending on the passenger numbers.

To manage credit risk exposure where considered necessary, the group may obtain bank guarantees for the term of the lease.

Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

(g) Investment properties

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

Investment properties are measured initially at cost and then subsequent to that initial measurement are stated at fair value. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent valuers. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement.

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

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

A property transfer from investment property to property, plant and equipment or inventory has a deemed cost for subsequent accounting at its fair value at the date of change in use. If an item of property, plant and equipment becomes an investment property, the group accounts for such property as an investment property only subsequent to the date of change in use.

Investment properties where the group acts as a lessor are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, sales-based concession fees and other adjustments to rentals, with any credit risk being managed in the same way as described for property, plant and equipment leased assets (refer to note 2(f)).

Lease incentives are initially recognised at value of the incentive and amortised over the term of the lease. Other lease receivables may arise when fixed future retail or rental revenue increases are recognised on a straight-line basis over the term of the lease (refer to note 2(l)). The group assesses lease incentives and receivables for impairment at each reporting date and recognises impairment losses as prescribed by NZ IFRS 9.

(h) Impairment of non-financial assets

Property, plant and equipment and investments in associate and joint ventures are assessed for indicators of impairment at each reporting date. For further information, refer to note 8 and note 11(c).

(i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation is suspended if active development of the qualifying asset is suspended for an extended period. Other borrowing costs are expensed as incurred.

(j) Financial instruments

The group's financial assets comprise cash and cash equivalents, accounts receivable and dividends receivable (classified as financial assets at amortised cost) and derivatives (classified as financial assets at fair value through profit and loss or designated as a hedge).

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

Cash
Cash in the statement of financial position and the cash flow statement comprises cash on hand, on-call deposits held with banks and short-term highly liquid investments.

Accounts receivable
Accounts receivable are recognised and carried at the original invoice amount less an allowance for impairment. Auckland Airport applies the "simplified approach" for including a general provision for expected credit losses as prescribed by NZ IFRS 9. This approach permits the use of lifetime expected loss provisions for all trade receivables. In addition, the collectability of individual debtors is reviewed on an ongoing basis and a specific provision for expected credit losses is made when there is evidence that Auckland Airport will not be able to collect the receivable. Debtors are written off when recovery is no longer anticipated.

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

Borrowings
All borrowings are initially recognised at the value of the consideration received. The carrying value is subsequently measured at amortised cost using the effective interest method, except borrowings subject to fair value hedges, which are adjusted for effective changes in the fair value of the hedging instrument.

The increase and decrease in borrowings are reported net in the cash flow statement for bank facilities and commercial paper where the turnover is frequent and the maturities are short.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

2. Summary of significant accounting policies CONTINUED

Derivative financial instruments
The group uses derivative financial instruments to hedge its risks associated with interest rates and foreign currency. Derivative financial instruments are recognised at fair value.

The group designates as fair value hedges derivative financial instruments on fixed-coupon debt where the fair value of the debt changes as a result of changes in market interest rates. The carrying amounts of the hedged items are adjusted for gains and losses attributable to the risk being hedged. The hedging instruments are also remeasured to fair value. Gains and losses from both are taken to the income statement.

Cash flow hedges are currently applied to future interest cash flows on variable rate loans. The effective portion of the gain or loss on the hedging instruments is recognised directly in other comprehensive income and accumulated as a separate component of equity in the cash flow hedge reserve, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

Changes in the fair value of the cost to convert foreign currency to New Zealand dollars (NZD) of cross-currency interest rate swaps are separately accounted for as a cost of hedging and recognised within a new reserve within equity (cost of hedging reserve).

(k) Issued and paid-up capital

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

When the group reacquires its own shares, those treasury shares are recognised as a reduction in shareholders' equity.

(l) Revenue recognition

Airfield income
Airfield income consisting of landing charges and aircraft parking charges is paid by the airlines and recognised as revenue when the airport facilities are used.

Passenger services charges
Passenger services charges relating to arriving, departing and transiting passengers are paid by the airlines and recognised as revenue when the airport facilities are used by the passengers.

Retail and rental income
Retail concession fees are recognised as revenue on an accrual basis based on the turnover of the concessionaires and in accordance with the related agreements. Rent abatements are recognised as an offset to revenue as negative variable lease payments when the group has an obligation to adjust fixed rent in response to significant reductions in passenger numbers or similar material adverse change. Fixed retail and rental income increases are recognised as revenue on a straight-line basis over the term of the leases, which may result in lease receivable balances. The group assesses lease receivable balances for impairment at each reporting period (refer note 2(j)).

Car park income
Revenue from public car parks is recognised when the car park utilisation has been completed. Revenue from staff car parks is recognised as revenue when the airport facilities are used.

Other income
Other income includes revenue from utilities provided to our tenants, such as electricity, water and gas. Revenue from utilities is recognised and billed based on customer consumption.

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

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

(m) Employee benefits

Employee benefits, including salaries and wages, superannuation and leave entitlements are expensed as the related service is provided.

The group also provides benefits to executives and employees of the group in the form of share-based payment transactions, whereby executives and employees render services in exchange for shares or rights over shares (equity-settled transactions) and/or cash settlements based on the price of the group's shares against performance targets (cash-settled transactions). The cost of the transactions is spread over the period in which the employees provide services and become entitled to the awards.

Equity-settled transactions
The cost of the equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity-settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity.

Cash-settled transactions
The fair value of cash-settled transactions is determined at each reporting date, and the change in fair value is recognised in the income statement with a corresponding change in the employee entitlements liability.

(n) Income tax and other taxes

Income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income.

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

Under NZ IAS 12, the measurement of deferred tax depends on whether an entity expects to recover an asset through use or by selling it and includes a rebuttable presumption that an investment property is recovered entirely through sale. The group has rebutted that presumption since it retains ownership in all investment property and recovers the value through use, being operating leases to tenants.

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

Goods and services tax (GST)
Revenue, expenses, assets and liabilities are stated exclusive of GST, except for receivables and payables, which are stated with the amount of GST included.

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

Commitments and contingencies are disclosed net of the amount of GST.

3. Significant accounting judgements, estimates and assumptions

In producing the financial statements, the group makes judgements, estimates and assumptions based on known facts at a point in time. These accounting judgements, estimates and assumptions will rarely exactly match the actual outcome. The judgements that have the most significant effect on the amounts recognised and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

(a) Fair value of investment property

Changes to market conditions or to assumptions made in the estimation of fair value may result in changes to the fair value of investment property. The carrying value of investment property and the valuation methodology are disclosed in note 12.

(b) Carrying value of property, plant and equipment

Judgement is required to determine whether the fair value of land, buildings and services, runway, taxiways and aprons and infrastructural assets has changed materially from the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment.

Remaining useful lives and residual values are estimated based on management's judgement, previous experience and guidance from registered valuers. Changes in those estimates affect the carrying value and the depreciation expense in the income statement.

The carrying value of property, plant and equipment and the valuation methodologies and assumptions are disclosed in note 11(c).

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

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

(d) COVID-19

During March 2020 the World Health Organization declared a global pandemic in relation to COVID-19. The New Zealand Government responded to COVID-19 by closing the international border for non-residents and introducing an alert level system with restrictions on business activity and societal interaction. This had a significant impact on Auckland Airport. Passenger numbers fell, both domestically and internationally, significantly impacting both the aeronautical and non-aeronautical business activities of the company. In response, Auckland Airport initiated a number of actions as reported in the 2020 and 2021 Financial Statements.

The following measures remained in place throughout the 2022 financial year:

- Suspension of dividends (see note 9);
- Reduced operating expenditure; and
- Suspension of some capital expenditure projects.

During February 2022, Auckland Airport renegotiated its banking facility interest coverage covenants for the measurement periods between June 2022 and June 2024. The following table sets out the new EBITDA-based interest coverage covenants, with the covenant for the 12 months to 31 December 2024 onwards remaining unchanged.

12 months ending	Interest coverage covenant
Jun 2022	1.25x
Dec 2022	1.25x
Jun 2023	2.00x
Dec 2023	2.00x
Jun 2024	2.50x
Dec 2024 onwards	3.00x

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

3. Significant accounting judgements, estimates and assumptions CONTINUED

Border closures and travel restrictions to keep New Zealand free of COVID-19 have severely impacted Auckland Airport since late in the 2020 financial year. In the second half of the 2022 financial year, the Omicron variant became widely established throughout New Zealand, and the New Zealand Government has as a result progressively removed border and travel restrictions. Now that COVID-19 is widespread, and the population widely vaccinated, the likelihood of the reimposition of border and travel restrictions has greatly reduced.

Auckland Airport's actual interest coverage for the 12 months ended 30 June 2022 was 2.58x. Given the New Zealand Government's progressive removal of border and travel restrictions over the second half of the 2022 financial year, and the strong rebound in international arrivals that this has enabled, Auckland Airport's 12-month interest coverage metrics are likely to progressively strengthen going forward.

The pandemic has continued to impact key estimates and judgements used in these financial statements, including:

- Recognition of rent abatements as negative variable rent (see note 2(l) and note 5);
- Impairment and write-off of capital works in progress (see note 11 and note 12);
- Provision for expected credit losses (see note 14); and
- Revaluations of property, plant and equipment and investment properties (see note 11 and note 12).

(e) Non-GAAP financial information

In reporting financial information, the group presents the following non-GAAP performance measures, which are not defined or specified under the requirements of NZ IFRS:

- EBITDAFI (Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures);
- EBITDA (Earnings before interest expense, taxation and depreciation); and
- EBIT (Earnings before interest expense and taxation).

The group believes that these non-GAAP measures, which are not considered to be a substitute for or superior to NZ IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The non-GAAP measures are consistent with how the group's financial performance is planned and reported to the Board and Audit and Financial Risk Committee. However, the non-GAAP measures may not be comparable to similarly titled amounts reported by other companies.

4. Segment information

(a) Identification of reportable segments

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

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

(b) Types of services provided

Aeronautical

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

New Zealand's international border remained closed to non-residents for the majority of the year ended 30 June 2022, significantly affecting airfield income and passenger services charges. The group provided $1.3 million (2021: $3.4 million) of abatements to aeronautical customers during the year ended 30 June 2022. Refer to note 3 for further information.

Retail

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

The above-mentioned travel restrictions continued to affect retailers within the terminals and the group provided $172.5 million (2021: $185.4 million) of abatements to retailers during the year ended 30 June 2022. Refer to note 3 for further information.

Property

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

The group provided $4.9 million (2021: $4.0 million) of rent abatements to property tenants during the year ended 30 June 2022, but this was offset by new tenancies and rent reviews, with no material impact on total property rental revenue due to COVID-19 during the year.

(c) Major customers

The group has a number of customers to which it provides services. The most significant customer in the 2022 financial year accounted for 30% of external revenue (2021: 31%). The revenue from this customer is included in all three operating segments.

(d) Geographical areas

Revenue from the reportable segments is derived in New Zealand, it being the location where the sale occurred. Property, plant and equipment and investment property of the reportable segments are located in New Zealand. The investments in associates are not part of the reportable segments of the group.

	Aeronautical $M	Retail $M	Property $M	Total $M
Year ended 30 June 2022				
Income from external customers				
Airfield income	60.9	-	-	60.9
Passenger services charge	33.8	-	-	33.8
Retail income	-	22.7	-	22.7
Rental income	16.0	0.8	112.9	129.7
Rates recoveries	0.8	1.7	6.1	8.6
Car park income	-	26.2	-	26.2
Other income	7.3	2.8	4.3	14.4
Total segment income	118.8	54.2	123.3	296.3
Expenses				
Staff	28.9	3.4	3.6	35.9
Asset management, maintenance and airport operations	41.7	7.8	4.6	54.1
Rates and insurance	5.5	3.5	10.0	19.0
Marketing and promotions	0.4	0.7	0.1	1.2
Professional services and levies	0.7	0.1	0.9	1.7
Fixed asset write-offs, impairment and termination costs	6.8	-	-	6.8
Other expenses	1.9	0.6	1.1	3.6
Total segment expenses	85.9	16.1	20.3	122.3
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	32.9	38.1	103.0	174.0

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

4. Segment information CONTINUED

	Aeronautical $M	Retail $M	Property $M	Total $M
Year ended 30 June 2021				
Income from external customers				
Airfield income	64.0	-	-	64.0
Passenger services charge	24.2	-	-	24.2
Retail income	-	17.8	-	17.8
Rental income	14.4	0.3	100.5	115.2
Rates recoveries	0.8	1.6	5.4	7.8
Car park income	-	28.7	-	28.7
Other income	6.7	3.8	3.8	14.3
Total segment income	110.1	52.2	109.7	272.0
Expenses				
Staff	29.1	3.4	2.8	35.3
Asset management, maintenance and airport operations	29.1	5.4	4.3	38.8
Rates and insurance	5.8	3.3	9.4	18.5
Marketing and promotions	0.3	0.5	0.1	0.9
Professional services and levies	0.5	0.2	0.7	1.4
Fixed asset write-offs, impairment and termination costs	1.8	0.3	0.1	2.2
Reversal of fixed asset impairment and termination costs	(17.8)	(1.6)	-	(19.4)
Other expenses	1.0	0.6	1.0	2.6
Total segment expenses	49.8	12.1	18.4	80.3
Segment earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[1]	60.3	40.1	91.3	191.7

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

(e) Reconciliation of segment income to income statement

	2022 $M	2021 $M
Segment income	296.3	272.0
Interest income	0.3	4.9
Other revenue	3.7	4.2
Total income	300.3	281.1

(f) Reconciliation of segment EBITDAFI to income statement

The income included in unallocated external operating income consists mainly of interest from third-party financial institutions and income from telecommunication and technology services provided to tenants. The expenses included in unallocated external operating expenses consist mainly of internal corporate and legal staff expenses and consulting fees.

	2022 $M	Restated 2021 $M
Segment EBITDAFI[1]	174.0	191.7
Unallocated external operating income	4.0	9.1
Unallocated external operating expenses	(33.5)	(29.7)
Total EBITDAFI as per income statement[1]	144.5	171.1
Investment property fair value increase	204.4	527.3
Property, plant and equipment revaluation	(1.4)	(7.5)
Derivative fair value increase/(decrease)	1.7	(0.5)
Share of profit of associate and joint ventures	(12.8)	21.1
Depreciation	(113.1)	(120.9)
Interest expense and other finance costs	(53.7)	(94.0)
Profit before taxation	169.6	496.6

1 EBITDAFI is a non-GAAP measure. Refer to note 3(e) for more information.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

5. Profit for the year

	Notes	2022 $M	2021 $M
Retail and rental income includes:			
Variable lease payments		15.7	15.3
Rent abatements		(178.7)	(192.8)
Staff expenses comprise:			
Salaries and wages		43.6	42.6
Employee benefits		5.8	1.5
Share-based payment plans		0.9	0.5
Defined contribution superannuation		1.7	1.6
Government wage subsidy		(4.2)	(2.2)
Other staff costs		2.2	1.6
		50.0	45.6
Fixed asset write-offs, impairment and termination costs comprise:			
Write-offs - property, plant and equipment	11(a)	0.8	0.1
Impairment - property, plant and equipment	11(a)	6.1	2.3
Write-offs - investment properties	12	-	0.1
		6.9	2.5
Reversal of fixed asset impairment and termination costs comprise:			
Reversal of termination costs - property, plant and equipment	21	-	(18.3)
Reversal of impairment - property, plant and equipment	11(a)	-	(1.1)
		-	(19.4)
Other expenses include:			
Directors' fees		1.5	1.3
Interest expense and other finance costs comprise:			
Interest on bonds and related hedging instruments		29.2	35.9
Interest on bank facilities and related hedging instruments		19.7	19.3
Interest on USPP notes and related hedging instruments		-	9.8
Interest on AMTN notes and related hedging instruments		9.8	8.7
Interest on commercial paper and related hedging instruments		3.0	2.8
Close-out cost of hedge-accounted swaps linked to debt not refinanced	18(b)	-	11.6
Make-whole to USPP noteholders for prepayment	18(a)	-	44.4
Proceeds on close out of USPP-related cross-currency swaps	18(a)	-	(32.0)
		61.7	100.5
Less capitalised borrowing costs	11(a), 12	(8.0)	(6.5)
		53.7	94.0
Interest rate for capitalised borrowing costs		4.32%	4.16%

The gross interest costs of bonds, bank facilities, USPP notes, AMTN notes and commercial paper, excluding the impact of interest rate hedges, was $45.2 million for the year ended 30 June 2022 (2021: $113.5 million).

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

Auditor's remuneration

	2022 $'000	2021 $'000
Audit of financial statements		
Audit and review of financial statements[1]	450.0	386.0
Other services		
Regulatory audit work[2]	85.0	50.1
Other services[3]	49.0	53.3
Total fees paid to auditor	584.0	489.4

1 The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements. Included in the 2021 audit fee is an amount of $113,000 relating to the FY20 audit that was agreed and invoiced in 2021.
2 Regulatory audit work consists of the audit of airport-related regulatory disclosures.
3 Other services include $30,000 relating to greenhouse gas inventory assurance and sustainability data quality non-assurance services. The group has also paid $14,000 to Deloitte for administrative and other advisory services to the Corporate Taxpayers Group, of which the group, alongside a number of other organisations, is a member. The remaining other services relates to trustee reporting of $5,000.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

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

	2022 $M	Restated[1] 2021 $M
Profit after taxation	191.6	466.6
Non-cash items		
Depreciation	113.1	120.9
Deferred taxation expense	(22.1)	28.7
Fixed asset write-offs and impairment	6.9	2.5
Reversal of fixed asset impairment	-	(1.1)
Equity-accounted (earnings)/loss from associate and joint ventures	12.8	(21.1)
Impairment of investment in joint venture	-	-
Property, plant and equipment fair value revaluation	1.4	7.5
Investment property fair value increase	(204.4)	(527.3)
Derivatives fair value (increase)/decrease	(1.7)	0.5
Items not classified as operating activities		
Gain on asset disposals	-	0.3
Decrease/(increase) in provisions and property, plant and equipment retentions and payables	25.5	20.6
Decrease in investment property retentions and payables	1.2	4.3
Increase in investment property lease incentives and receivables	(11.4)	(13.9)
Items recognised directly in equity	0.9	0.8
Movement in working capital		
(Increase)/decrease in trade and other receivables	(3.1)	9.3
(Increase)/decrease in taxation receivable	(0.7)	0.7
(Decrease)/increase in accounts payable and provisions	(9.3)	(39.4)
Increase in other term liabilities	0.5	0.7
Net cash flow from operating activities	101.2	60.6

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

7. Taxation

(a) Income tax expense

	2022 $M	2021 $M
The major components of income tax are:		
Current income tax		
Current income tax charge	1.2	1.2
Income tax over provided in prior year	(1.1)	0.1
Deferred income tax		
Movement in deferred tax	(22.1)	28.7
Total taxation (benefit)/expense	(22.0)	30.0

(b) Reconciliation between prima facie taxation and tax expense

	2022 $M	2021 $M
Profit before taxation	169.6	496.6
Prima facie taxation at 28%	47.5	139.0
Adjustments:		
Share of associates' tax paid earnings	(0.1)	(0.2)
Revaluation with no tax impact	(75.1)	(103.9)
Income tax over provided in prior year	(1.1)	(0.1)
Re-estimated future tax benefits for buildings	5.2	-
Non-deductible asset write-offs, impairment and termination costs	2.0	(4.8)
Other	(0.4)	-
Total taxation (benefit)/expense	(22.0)	30.0

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

7. Taxation CONTINUED

(c) Deferred tax assets and liabilities

	Balance 1 July 2021 $M	Movement in income $M	Movement in other comprehensive income $M	Movement in equity $M	Offset against taxable income $M	Balance 30 June 2022 $M
Deferred tax liabilities						
Property, plant and equipment	176.6	(1.6)	128.5	-	-	303.5
Investment properties	144.6	(12.8)	-	-	-	131.8
Other	3.7	(2.6)	-	-	-	1.1
Deferred tax liabilities	324.9	(17.0)	128.5	-	-	436.4
Deferred tax assets						
Cash flow hedge	20.0	-	(26.3)	-	-	(6.3)
Tax losses	26.3	8.3	-	-	(1.0)	33.6
Provisions, accruals and long-term incentive plan	0.3	(3.2)	-	0.1	-	(2.8)
Deferred tax assets	46.6	5.1	(26.3)	0.1	(1.0)	24.5
Net deferred tax liability	278.3	(22.1)	154.8	(0.1)	1.0	411.9

	Balance 1 July 2020 $M	Movement in income $M	Movement in other comprehensive income $M	Movement in equity $M	Offset against taxable income $M	Balance 30 June 2021 $M
Deferred tax liabilities						
Property, plant and equipment	181.2	(4.6)	-	-	-	176.6
Investment properties	94.8	49.8	-	-	-	144.6
Other	0.2	3.5	-	-	-	3.7
Deferred tax liabilities	276.2	48.7	-	-	-	324.9
Deferred tax assets						
Cash flow hedge	40.6	-	(20.6)	-	-	20.0
Tax losses	-	26.3	-	-	-	26.3
Provisions and accruals	6.4	(6.3)	-	0.2	-	0.3
Deferred tax assets	47.0	20.0	(20.6)	0.2	-	46.6
Net deferred tax liability	229.2	28.7	20.6	(0.2)	-	278.3

At 30 June 2022 the group recognised a deferred tax asset of $33.6 million for tax losses (30 June 2021: $26.3 million), which are forecast to be recovered during the years ended 30 June 2023 and 30 June 2024 when the group returns to generating taxable profits.

(d) Imputation credits

	2022 $M	2021 $M
Imputation credits available for use in subsequent reporting periods at 30 June	0.8	0.8

8. Associate and joint ventures

(a) Tainui Auckland Airport Hotel Limited Partnership (joint venture)

The partnership between Tainui Group Holdings Limited and Auckland Airport owns and operates a 4-star plus, 263-room Novotel hotel adjacent to the international terminal at Auckland Airport. The group and Tainui Group Holdings each hold a 50% stake in the partnership. The hotel is operated on the partnership's behalf by Accor Hospitality. The partnership has a balance date of 31 March 2022. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 31 March 2022 and management accounts for the balance of the year to 30 June 2022.

The group considers that there are no impairment indicators of its investment in the joint venture. The hotel continued to be contracted to the New Zealand Government as a managed isolation Quarantine (MIQ) facility during the financial year. This contract ceased on 30 June 2022. The Novotel was refurbished during the fourth quarter of the 2022 financial year and reopened to the public on 1 July 2022. A valuation has been performed as at 30 June 2022 for the Novotel and there is no indication of impairment (30 June 2021: No impairment of the joint venture).

Two of Auckland Airport's senior management staff are directors on the boards of both the Tainui Auckland Airport Hotel Limited Partnership and the Tainui Auckland Airport Hotel 2 Limited Partnership. No directors' fees are paid in relation to these appointments but the skills and experience of these directors are being utilised to protect and grow Auckland Airport's investment.

Other transactions with the partnership are as follows:

	2022 $M	2021 $M
Rental income received	0.7	0.6
Future minimum rentals receivable under non-cancellable operating lease	12.1	10.5

(b) Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture)

The partnership between Tainui Group Holdings Limited and Auckland Airport was formed in February 2017 to build and operate a new Pullman Hotel at Auckland Airport. The group and Tainui Group Holdings each hold a 50% stake in the partnership. The group has contributed $51.1 million into the partnership (2021: $37.1 million).

Construction of the hotel was split into two phases after COVID-19 hit New Zealand. The first phase completed the facade and structural elements under the original contract. The second phase, which is still in progress, comprises all internal fit-outs ready for opening and is expected to be completed in the first half of calendar 2024. During the year ended 30 June 2022, the joint venture re-tendered the second phase to enable the fit-outs to commence. This came in at a higher cost than contained within the original combined contract.

At 31 December 2021, an independent valuation was performed by JLL for the Pullman Hotel. The fair value of the completed hotel was determined to be $180.0 million, materially below the $221.0 million total forecast cost to complete the hotel development, including the re-tendered $131.0 million fit-outs cost. This resulted in a revaluation loss of $41.0 million for the joint venture. The revaluation loss arose due to the increase in construction costs, not because of a decrease in value from the prior independent valuation. The group's share of the loss was $20.5 million.

The hotel is categorised as Level 3 in the fair value hierarchy (as described in note 18(c)) and the valuation methodology used was a direct capitalisation of expected cash flows supported by a discounted cash flow approach. The valuation was prepared on the basis of 'material valuation uncertainty', and therefore the valuer has advised that less certainty should be attached to the valuation than would normally be the case.

Other transactions with the partnership are as follows:

	2022 $M	2021 $M
Rental income received	0.7	0.7
Future minimum rentals receivable under non-cancellable operating lease	20.5	21.3

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

8. Associate and joint ventures CONTINUED

(c) Queenstown Airport Corporation Limited (associate)

The group has a 24.99% stake in Queenstown Airport Corporation Limited (Queenstown Airport). One of Auckland Airport's senior management staff is on the board of Queenstown Airport.

The group considers that there are no impairment indicators for its investment. Queenstown Airport has taken steps to reduce its cost structure, including the reduction of operating expenditure and an organisational restructure. In addition, discretionary capital expenditure has been reduced with a focus on maintaining critical services and meeting regulatory requirements. The company has reported a $61.3 million (30 June 2021: $34.5 million) revaluation increase in land and buildings during the year ended 30 June 2022.

Summary financial information

The information below reflects the full amounts in the financial statements of the associate and joint ventures (not the group's share of those amounts) before adjustments for depreciation expense and investment property revaluation gains to align the accounting policies with those of the group.

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2022	2021	2022	2021	2022	2021
	$M	$M	$M	$M	$M	$M
Revenue	21.5	25.1	-	-	26.8	27.8
EBITDA	12.3	13.2	-	-	14.0	17.1
Profit after taxation	9.0	9.9	-	-	1.1	1.7
Other comprehensive income/(loss)	-	-	-	-	55.5	33.1
Total comprehensive income for the year	9.0	9.9	-	-	56.6	34.8
Distributions						
Repayment of partner contribution/dividends received	(6.0)	(10.0)	-	-	-	-
Auckland Airport share of repayment of partner contribution/dividends received	(3.0)	(5.0)	-	-	-	-

	Tainui Auckland Airport Hotel Limited Partnership		Tainui Auckland Airport Hotel 2 Limited Partnership		Queenstown Airport Corporation Limited	
	2022	2021	2022	2021	2022	2021
	$M	$M	$M	$M	$M	$M
Current assets	8.2	4.9	0.3	1.1	6.9	24.6
Non-current assets	59.0	59.0	101.2	73.0	466.7	403.3
Total assets	67.2	63.9	101.5	74.1	473.6	427.9
Current liabilities	3.4	52.5	(0.7)	-	19.0	4.0
Non-current liabilities	59.6	10.2	-	-	69.5	95.5
Shareholders' equity	4.2	1.2	102.2	74.1	385.0	328.4
Total equity and liabilities	67.2	63.9	101.5	74.1	473.5	427.9
Auckland Airport ownership	50.00%	50.00%	50.00%	50.00%	24.99%	24.99%
Auckland Airport share of shareholders' equity	2.1	0.6	51.1	37.1	96.2	82.0
Investment property depreciation and revaluation adjustment	32.4	29.5	(20.5)	-	-	-
Goodwill	6.1	6.1	-	-	-	-
Gain on purchase	-	-	-	-	(0.9)	(0.9)
Carrying value of investment	40.6	36.2	30.6	37.1	95.3	81.1

Movement in the group's carrying amount of investment in associate and joint ventures

	2022 $M	2021 $M
Investment in associate and joint ventures at the beginning of the year	154.4	114.7
Further investment in joint ventures	14.0	15.4
Share of profit of associate and joint ventures	5.7	6.1
Revaluation of investment property	(18.5)	15.0
Share of reserves of associate and joint ventures	13.9	8.2
Share of dividends received or repayment of partner contribution	(3.0)	(5.0)
Investment in associate and joint ventures at the end of the year	166.5	154.4

9. Distribution to shareholders

As part of the changes negotiated to Auckland Airport's banking covenants in February 2022, Auckland Airport agreed that no dividends will be paid until after 31 December 2022. Hence no dividends were paid during, or declared for, the year ended 30 June 2022.

10. Earnings per share

The earnings used in calculating basic and diluted earnings per share is net profit attributable to equity holders of $191.6 million (2021 restated: $466.6 million).

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

	2022 Shares	2021 Shares
For basic earnings per share	1,472,139,301	1,471,999,685
Effect of dilution of share options	302,480	178,858
For diluted earnings per share	1,472,441,781	1,472,178,543

The 2022 reported basic earnings per share is 13.02 cents (2021 restated: 31.70 cents)

The 2022 reported diluted earnings per share is 13.01 cents (2021 restated: 31.69 cents)..

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Property, plant and equipment

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

	Land $M	Buildings and services $M	Infrastructure $M	Runway, taxiways and aprons $M	Vehicles, plant and equipment $M	Total $M
Year ended 30 June 2022						
Balances at 1 July 2021 restated[1]						
At fair value	4,705.7	1,055.2	409.6	339.7	-	6,510.2
At cost	-	-	-	-	208.0	208.0
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(114.1)	(16.9)	(16.7)	(157.7)	(305.4)
Balances at 1 July 2021 restated[1]	4,705.7	1,079.9	551.7	389.1	100.1	6,826.5
Additions and transfers within property, plant and equipment	-	61.3	93.3	31.3	20.1	206.0
Transfers from/(to) investment property	(0.4)	(0.2)	-	-	(0.1)	(0.7)
Disposals	-	-	-	-	(0.1)	(0.1)
Revaluation recognised in property, plant and equipment revaluation reserve	(383.7)	459.5	-	-	-	75.8
Revaluation recognised in the income statement	(2.5)	1.1	-	-	-	(1.4)
Impairment	-	-	-	(6.1)	-	(6.1)
Write-offs	-	-	(0.6)	(0.2)	-	(0.8)
Depreciation	-	(48.3)	(27.8)	(15.6)	(21.4)	(113.1)
Movement to 30 June 2022	(386.6)	473.4	64.9	9.4	(1.5)	159.6
Balances at 30 June 2022						
At fair value	4,319.1	1,361.1	615.6	366.2	-	6,662.0
At cost	-	-	-	-	221.7	221.7
Work in progress at cost	-	192.6	45.3	64.5	56.2	358.6
Accumulated depreciation	-	(0.4)	(44.3)	(32.2)	(179.3)	(256.2)
Balances at 30 June 2022	4,319.1	1,553.3	616.6	398.5	98.6	6,986.1

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

Additions for the year ended 30 June 2022 include capitalised interest of $7.2 million (2021: $4.1 million).

The group includes leased properties within property, plant and equipment when the properties are held for the purpose of airport operations. The following categories of property, plant and equipment are leased to tenants:

- Aeronautical land, including land associated with aircraft, freight and terminal use carried at $319.8 million (30 June 2021: $296.3 million);
- Land associated with retail facilities within terminal buildings carried at $1,452.4 million (30 June 2021: $2,004.8 million); and
- Terminal building premises (within buildings and services), being 14% of total floor area and carried at $183.0 million (30 June 2021: 13% of total floor area or $120.1 million).

	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2021						
Balances at 1 July 2020						
At fair value	3,931.1	1,030.3	391.7	322.1	-	5,675.2
At cost	-	-	-	-	190.7	190.7
Work in progress at cost	-	167.3	96.1	56.2	50.9	370.5
Accumulated depreciation	-	(56.9)	(0.3)	-	(127.3)	(184.5)
Balances at 1 July 2020	3,931.1	1,140.7	487.5	378.3	114.3	6,051.9
Additions and transfers within property, plant and equipment	-	(2.5)	81.8	27.5	18.1	124.9
Transfers from/(to) investment property	12.2	(1.7)	(0.2)	-	(0.1)	10.2
Disposals	-	-	(0.2)	-	(0.5)	(0.7)
Revaluation recognised in property, plant and equipment revaluation reserve	769.9	-	-	-	-	769.9
Revaluation recognised in the income statement	(7.5)	-	-	-	-	(7.5)
Impairment	-	(0.5)	(0.5)	-	(1.3)	(2.3)
Reversal of impairment	-	1.1	-	-	-	1.1
Write-offs	-	-	(0.1)	-	-	(0.1)
Depreciation	-	(57.2)	(16.6)	(16.7)	(30.4)	(120.9)
Movement to 30 June 2021	774.6	(60.8)	64.2	10.8	(14.2)	774.6
Balances at 1 July 2021 restated[1]						
At fair value	4,705.7	1,055.2	409.6	339.7	-	6,510.2
At cost	-	-	-	-	208.0	208.0
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(114.1)	(16.9)	(16.7)	(157.7)	(305.4)
Balances at 1 July 2021 restated[1]	4,705.7	1,079.9	551.7	389.1	100.1	6,826.5

1 The comparatives are restated following the IFRIC decision on cloud computing. Refer to note 2.

(b) Carrying amounts measured at historical cost less accumulated depreciation

	Land	Buildings and services	Infrastructure	Runway, taxiways and aprons	Vehicles, plant and equipment	Total
	$M	$M	$M	$M	$M	$M
Year ended 30 June 2022						
At historical cost	154.0	1,368.5	592.2	392.0	221.7	2,728.4
Work in progress at cost	-	192.6	45.3	64.5	56.2	358.6
Accumulated depreciation	-	(655.4)	(184.6)	(231.2)	(179.3)	(1,250.5)
Net carrying amount	154.0	905.7	452.9	225.3	98.6	1,836.5
Year ended 30 June 2021						
At historical cost	153.9	1,335.3	412.8	365.2	208.0	2,475.2
Work in progress at cost	-	138.8	159.0	66.1	49.8	413.7
Accumulated depreciation	-	(621.4)	(162.3)	(221.4)	(157.7)	(1,162.8)
Net carrying amount (restated)	153.9	852.7	409.5	209.9	100.1	1,726.1

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Property, plant and equipment CONTINUED

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

At the end of each reporting period, the group makes an assessment of whether the carrying amounts differ materially from fair value and whether a revaluation is required. The assessment considers movements in the capital goods price index since the previous valuation, mid-year desktop reviews by the previous valuers and changes in valuations of investment property as an indicator of property, plant and equipment valuation movement.

Valuations are completed in accordance with the company's asset valuation handbook, which is prepared in accordance with financial reporting and valuation standards. Management reviews the key inputs, assesses valuation movements and holds discussions with the valuers as part of the process. Discussions about the valuation processes and results are held between the group's management and the Board.

The group's valuers considered the impact of COVID-19 in all revaluations.

Land assets were independently valued at 30 June 2022 by Savills Limited (Savills), Jones Lang LaSalle Limited (JLL), CBRE Limited (CBRE) and Aon Risk Solutions (AON). Building and services assets were independently valued by Beca Projects NZ Limited (Beca) at 30 June 2022.

Infrastructure and runway, taxiways and aprons were not revalued at 30 June 2022. The assessment is that there is not a material difference between the carrying value and the fair value of those asset classes at 30 June 2022. The assessment was supported by an initial review by Beca at 31 December 2021, to determine whether a revaluation was likely to be required, followed by management's review of subsequent evidence at 30 June 2022. Both the Beca review and management's assessment were based on movements in relevant subcategories of the capital goods price index. The valuation approach is the optimised depreciated replacement cost. Movements in the relevant capital goods price index subcategories provide a strong indication of movements in the cost of replacing these assets as at 30 June 2022.

The group assessed there were no indicators of impairment for property, plant and equipment assets carried at fair value. The group considered the independent valuations and the group's assessment of the fair value of assets not revalued at 30 June 2022.

Impairment and write-offs

The group has also assessed indicators of impairment for assets held at depreciated cost. There are no indicators of impairment in the vehicles, plant and equipment portfolio. The group has re-assessed the capital work in progress portfolio and, for the year ended 30 June 2022, has reported additional impairments of $6.1 million (30 June 2021: $1.2 million). The impairment assessment methodology was consistent with the prior year and the group considered the following factors, including the extent to which projects:

- Are designed, consented, currently active and intended to be completed;
- Are still contemplated by the airport masterplan or are a strategic priority; and
- For aeronautical-related projects, whether or not they are still expected to be included in the regulated asset base.

Projects that did not satisfy the relevant above factors were written off. Where projects satisfied the relevant above factors, the group further categorised them according to the likelihood of being completed to the original scope and design. If a project is not completed to the original design, a portion of the work already performed may be abandoned in the future. Such projects were grouped according to the assessed likelihood of material future scope changes and impaired by between 25% and 75%.

Following the revaluations, and impairment of capital work in progress, the group has also considered whether there is any further indication of impairment at the cash-generating unit level. The group has assessed that it has a single core cash-generating unit, which comprises all assets other than investment property. The group has considered its enterprise market valuation and the long-term nature of its assets and concluded that there is no further impairment at the cash-generating unit level.

Fair value measurement

The valuers use different approaches for valuing different asset groups. Where the fair value of an asset is able to be determined by reference to market-based evidence, such as sales of comparable assets, the fair value is determined using this information. Where fair value of the asset is not able to be reliably determined using market-based evidence, discounted cash flows or optimised depreciated replacement cost is used to determine fair value. Assets acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value.

The group's land, buildings and services, infrastructure, runway, taxiways and aprons are all categorised as Level 3 in the fair value hierarchy as described in note 18(c). During the year, there were no transfers between the levels of the fair value hierarchy.

Land valuations

The valuers applied significant judgement in the valuation of land associated with car park facilities and retail facilities within terminal buildings at 30 June 2022. The major inputs and assumptions that required judgement included:

- The potential outcomes of the Duty Free tender planned for the second half of the 2024 financial year, as well as other upcoming retail lease renewals;
- Forecasts of the recovery of domestic and international air travel; and
- Expected passenger flows and their expected car parking and retail expenditure.

The valuers reviewed management's internal forecasts and compared them with external evidence including forecasts by the International Air Transport Association (IATA), published on their website www.iata.org/.

The retail land valuations have declined materially despite the valuer's continued expectation of a material recovery in future passenger flows and retail income. This is primarily due to uncertainty regarding the future outcomes of the Duty Free tender and lease renewals. The valuers now expect retail lease income to recover materially later than they previously forecast.

The table below summarises the valuation approach and the principal assumptions used in establishing the fair values:

		2022		2021	
Asset valuation approach	**Inputs used to measure fair value**	**Range of significant inputs**	**Weighted average**	**Range of significant inputs**	**Weighted average**
Land					
Airfield land, including land for runway, taxiways, aprons and approaches	Rate per sqm prior to holding costs (excluding approaches)	$125 - 227	$169	$117 - 216	$160
Market value alternative use valuation plus development and holding costs to achieve land suitable for airport use and direct sales comparison	Holding costs per sqm (excluding approaches)	$48 - 93	$67	$39 - 76	$55
	Holding period (excluding approaches)	5.0 years	N/A	5.0 years	N/A
	Airfield land discount rate	12.00%	N/A	9.49%	N/A
	Rate per sqm (approaches)	$21 - 127	$38	$15 - 66	$25
Reclaimed land seawalls	Unit costs of seawall construction per m	$4,672 - 10,055	$7,552	$4,514 - 9,715	$7,297
Optimised depreciated replacement cost	Unit costs of reclamation per sqm	$173 - 173	$173	$165 - 167	$167
Aeronautical land, including land associated with aircraft, freight and terminal uses	Rate per sqm (excluding commercially leased assets)	$181 - 1,212	$300	$188 - 1,202	$277
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions and direct sales comparison	Market rent (per sqm) – average	$50 - 342	$146	$48 - 328	$88
	Market capitalisation rate – average	4.00 - 6.17%	4.87%	3.83 - 6.13%	4.97%
	Terminal capitalisation rate	4.00 - 6.25%	5.38%	4.08 - 6.25%	5.22%
	Discount rate	6.00 - 8.00%	6.64%	5.75 - 8.00%	6.83%
	Rental growth rate (per annum)	2.52 - 2.99%	2.66%	2.00 - 2.60%	2.58%
Land associated with car park facilities	Discount rate	8.00 - 12.50%	10.35%	8.00 - 12.50%	10.36%
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	6.50 - 8.75%	7.28%	6.50 - 8.75%	7.27%
	Revenue growth rate (per annum)	5.64 - 24.13%	14.21%	4.01 - 32.86%	15.11%
Land associated with retail facilities within terminal buildings	Discount rate	8.00 - 8.75%	8.72%	8.00 - 8.75%	8.72%
Discounted cash flow cross referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Terminal capitalisation rate	8.00 - 10.25%	8.10%	7.25 - 7.50%	7.26%
	Revenue growth rate (per annum)	2.93 - 3.92%	3.87%	2.98 - 3.07%	2.98%
	Market capitalisation rate	5.75 - 6.00%	5.99%	6.00 - 6.50%	6.48%
Other land					
Direct sales comparison	Rate per sqm	$100 - 226	$131	$100 - 207	$128

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Property, plant and equipment CONTINUED

Asset valuation approach	Inputs used to measure fair value	2022 Range of significant inputs	2022 Weighted average	2021 Range of significant inputs	2021 Weighted average
Buildings and services					
Terminal buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$1,686-19,536	$11,186	$1,681 - 9,475	$8,577
Other buildings					
Optimised depreciated replacement cost	Unit costs of construction per sqm	$997 - 9,064	$1,993	$1,009 - 4,689	$2,869
Infrastructure					
Water and drainage					
Optimised depreciated replacement cost	Unit costs of pipe construction per m	$158 - 5,832	$898	$158 - 5,832	$898
Electricity					
Optimised depreciated replacement cost	Unit costs of electrical cabling construction per m	$141 - 450	$409	$141 - 450	$409
Roads					
Optimised depreciated replacement cost	Unit costs of road and footpaths construction per sqm	$58 - 185	$111	$58 - 185	$111
Other infrastructure assets					
Optimised depreciated replacement cost	Unit costs of navigation aids and lights	$323 - 95,559	$12,635	$323 - 95,559	$12,635
	Unit costs of fuel pipe construction per m	$3,047 - 4,352	$4,180	$3,047 - 4,352	$4,180
Runway, taxiways and aprons					
Optimised depreciated replacement cost	Unit costs of concrete pavement construction per sqm	$340 - 532	$527	$340 - 532	$527
	Unit costs of asphalt pavement construction per sqm	$155 - 340	$337	$155 - 340	$337

The valuation inputs for land are from the 2022 valuation, while the prior year's comparatives are from the 2021 valuation of these assets. The valuation inputs for buildings and services are from the 2022 valuation, while the prior year's comparatives are from the 2019 valuation of these assets.The valuation inputs for infrastructure and runway, taxiways and aprons are unchanged from the 2020 valuation. These asset classes were not revalued in 2022 as the carrying value was not assessed to be materially different from fair value.

The table below includes descriptions of different valuation approaches:

VALUATION APPROACH	DESCRIPTION
Income capitalisation approach	A valuation methodology that determines fair value by capitalising a property's sustainable net income at an appropriate market-derived capitalisation rate, with subsequent capital adjustments for near-term events, typically including letting-up allowances for vacancies and pending expiries, expected short-term capital expenditure and the present value of any difference between contract and market rentals.
Discounted cash flow analysis	A valuation methodology that requires the application of financial modelling techniques. Discounted cash flow analysis requires explicit assumptions to be made regarding the prospective income and expenses of a property, such assumptions pertaining to the quantity, quality, variability, timing and duration of inflows and outflows over an assumed holding period. The assessed cash flows are discounted to present value at an appropriate market-derived discount rate to determine fair value.
Direct sales comparison approach	A valuation methodology whereby the subject property is compared to recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing attributes.
Residual value approach	A valuation technique used primarily for property that is undergoing, or is expected to undergo, redevelopment. Fair value is determined through the estimation of a gross realisation on completion of the redevelopment, with deductions made for all costs associated with converting the property to its end use, including finance costs and a typical profit margin for risks assumed by the developer.
Market value alternative use (MVAU)	A valuation methodology whereby fair value is determined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, with the explicit assumption that the existing use of the asset is ignored.
Optimised depreciated replacement cost (ODRC)	A valuation methodology whereby fair value is determined by calculating the cost of constructing a modern equivalent asset at current market-based input cost rates, adjusted for the remaining useful lives of the assets (depreciation) and any sub-optimal usage of the assets in their current application (optimisation). These inputs are deemed unobservable.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11. Property, plant and equipment CONTINUED

The table below summarises each registered valuer's valuation of property, plant and equipment:

	30 June 2022		30 June 2021	
Asset classification	Valuer	$M	Valuer	$M
Airfield land, including land for runway, taxiways, aprons and approaches[1]	Savills	1,165.0	Savills	1,021.7
Reclaimed land seawalls[1]	AON / Savills	296.2	AON / Savills	280.2
Aeronautical land, including land associated with aircraft, freight and terminal uses[1]	JLL / Savills	645.8	JLL / Savills	583.3
Land associated with car park facilities[1]	CBRE	611.1	CBRE	675.9
Land associated with retail facilities within terminal buildings[1]	CBRE	1,452.4	CBRE	2,004.8
Other land[1]	JLL / Savills	148.6	JLL / Savills	139.8
Terminal buildings[2]	Beca	1,324.6	Beca	950.9
Other buildings[3]	Beca	228.7	Beca	129.0
Water and drainage[4]	Beca	158.7	Beca	161.6
Electricity[4]	Beca	48.5	Beca	48.6
Roads[4]	Beca	246.4	Beca	221.7
Other infrastructure assets[4]	Beca	163.0	Beca	119.8
Runway, taxiways and aprons[5]	Beca	398.5	Beca	389.1
Assets carried at fair value		6,887.5		6,726.4
Vehicles, plant and equipment (carried at cost less accumulated depreciation)	N/A	98.6	N/A	100.1
Balance at 30 June		6,986.1		6,826.5

1 Land assets were revalued at 30 June 2022. This class was previously revalued at 30 June 2021.
2 Terminal buildings were revalued at 30 June 2022. This class was previously revalued at 30 June 2019.
3 Buildings and serviced assets were revalued at 30 June 2022. This class was previously revalued at 30 June 2019.
4 At 30 June 2022, the assessment is that there is no material change in the fair value of infrastructure assets compared with carrying values. This class was last revalued at 30 June 2020.
5 At 30 June 2022, the assessment is that there is no material change in the fair value of runway, taxiways and aprons compared with carrying values. This class was last revalued at 30 June 2020.

The following table shows the impact on the fair value due to a change in a significant unobservable input:

		Fair value measurement sensitivity to significant:	
		Increase in input	**Decrease in input**
Unobservable inputs within the income capitalisation approach			
Market rent	The valuer's assessment of the net market income attributable to the property	Increase	Decrease
Market capitalisation rate	The rate of return, determined through analysis of comparable market-related sales transactions, that is applied to the market rent to assess a property's value	Decrease	Increase
Unobservable inputs within the discounted cash flow analysis			
Discount rate	The rate, determined through analysis of comparable market-related sales transactions, that is applied to a property's future net cash flows to convert those cash flows into a present value	Decrease	Increase
Terminal capitalisation rate	The rate that is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated future market value	Decrease	Increase
Rental growth rate	The annual growth rate applied to the market rent over an assumed holding period	Increase	Decrease
Unobservable inputs within the residual value approach			
Gross development value	The estimated market value once the redevelopment is completed	Increase	Decrease
Cost of development	An estimate of the costs associated with converting the property to its end use, including finance costs and a typical profit margin for risks assumed by the developer	Decrease	Increase
Discount rate	The rate, determined through analysis of comparable market-related sales transactions, that is applied to a property's future net cash flows to convert those cash flows into a present value	Decrease	Increase
Market capitalisation rate	The rate of return, determined through analysis of comparable market-related sales transactions, that is applied to the market rent to assess a property's value	Decrease	Increase
Unobservable inputs within the direct sales comparison approach			
Rate per sqm	The rate per square metre of recently sold properties of a similar nature	Increase	Decrease
Unobservable inputs within market value alternative use (MVAU) plus holding costs			
Rate per sqm prior to holding costs	The assumed rate per square metre, based on recently sold properties, for which the group would acquire land, assuming it had not been designated for its existing use	Increase	Decrease
Holding costs per sqm	The costs of holding land while being developed to achieve land suitable for airport use	Increase	Decrease
Holding period	The expected holding period to achieve land suitable for airport use	Increase	Decrease
Unobservable inputs within optimised depreciated replacement cost (ODRC)			
Unit costs of construction	The costs of constructing various asset types based on a variety of sources, including recent local competitively tendered construction works, published cost information, the valuer's database of costing information and experience of typical industry rates and indexed historical cost information	Increase	Decrease

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

12. Investment properties

The table below summarises the movements in fair value of investment properties:

	Retail and service $M	Industrial $M	Vacant land $M	Other $M	Total $M
Year ended 30 June 2022					
Balance at the beginning of the year	301.5	1,709.4	414.3	216.2	2,641.4
Additions	8.1	31.3	-	0.1	39.5
Transfers from/(to) property, plant and equipment (note 11)	(2.1)	7.0	(4.2)	-	0.7
Transfers within investment property	-	2.1	(2.2)	0.1	-
Investment property fair value change	20.8	119.0	59.0	5.6	204.4
Lease incentives capitalised	0.4	7.8	-	-	8.2
Lease incentives amortised	-	(2.3)	-	(0.1)	(2.4)
Spreading of fixed rental increases	0.1	5.5	-	-	5.6
Net carrying amount	328.8	1,879.8	466.9	221.9	2,897.4
Year ended 30 June 2021					
Balance at the beginning of the year	279.3	1,250.9	330.2	193.8	2,054.2
Additions	4.3	51.9	0.3	(0.2)	56.3
Transfers from/(to) property, plant and equipment (note 11)	(4.9)	4.9	(10.2)	-	(10.2)
Transfers within investment property	(0.6)	24.7	(24.1)	-	-
Write-offs	-	(0.1)	-	-	(0.1)
Investment property fair value change	23.4	363.1	118.1	22.7	527.3
Lease incentives capitalised	-	12.0	-	-	12.0
Lease incentives amortised	-	(1.7)	-	(0.1)	(1.8)
Spreading of fixed rental increases	-	3.7	-	-	3.7
Net carrying amount	301.5	1,709.4	414.3	216.2	2,641.4

Additions for the year ended 30 June 2022 include capitalised interest of $0.8 million (2021: $2.4 million).

The group's investment properties are all categorised as Level 3 in the fair value hierarchy, as described in note 18(c).

During the year, there were no transfers of investment property between levels of the fair value hierarchy.

The basis of valuation is market value, based on each property's highest and best use. The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income, using market comparisons of capitalisation rates, supported by a discounted cash flow approach. The independent valuers considered the impact of COVID-19 in all revaluations. Further details of the valuation methodologies and sensitivities are included in note 11(c). The valuation methodologies are consistent with prior years.

All valuations have been reviewed by the group's property management team, which has determined the valuations to be appropriate as at 30 June 2022.

The principal assumptions used in establishing the valuations were as follows:

		2022		2021	
Asset classification and valuation approach	**Inputs used to measure fair value**	**Range of significant inputs**	**Weighted average**	**Range of significant inputs**	**Weighted average**
Retail and service					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$145 - $588	$277	$120 - 530	$270
	Market capitalisation rate	4.25 - 7.00%	5.33%	4.25 - 6.10%	5.34%
	Terminal capitalisation rate	4.50 - 7.25%	5.65%	4.50 - 6.63%	5.71%
	Discount rate	6.00 - 7.75%	6.80%	5.75 - 7.63%	6.86%
	Rental growth rate (per annum)	2.02 - 2.99%	2.76%	2.10 - 2.60%	2.50%
Industrial					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$130 - $310	$162	$104 - 317	$150
	Market capitalisation rate	3.58 - 6.00%	4.32%	3.75 - 6.75%	4.39%
	Terminal capitalisation rate	3.68 - 6.25%	4.65%	3.75 - 7.25%	4.61%
	Discount rate	5.75 - 7.75%	6.33%	5.13 - 7.50%	6.08%
	Rental growth rate (per annum)	2.50 - 2.99%	2.94%	2.43 - 2.60%	2.50%
Vacant land					
Direct sales comparison and residual value	Rate per sqm	$7 - 1,153	$200	$6 - 1,600	$180
Other					
Discounted cash flow cross-referenced to a market capitalisation of net revenues as indicated by market activity from comparable transactions	Market rent (per sqm)	$35 - $424	$287	$49 - 424	$285
	Market capitalisation rate	3.94 - 6.50%	5.04%	4.50 - 7.00%	5.44%
	Terminal capitalisation rate	4.25 - 6.75%	4.90%	4.75 - 7.25%	5.72%
	Discount rate	6.00 - 8.00%	6.26%	6.00 - 8.00%	6.98%
	Rental growth rate (per annum)	2.50 - 2.93%	2.34%	2.00 - 2.60%	2.41%

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

	2022	2021
	$M	$M
Colliers International	898.0	570.4
Savills Limited	1,022.4	1,398.1
Jones Lang LaSalle Limited	905.4	670.1
Investment property carried at cost	71.6	2.8
Total fair value of investment properties	2,897.4	2,641.4

The investment properties assigned to valuers are rotated across the portfolio every three years, with the most recent rotation occurring in June 2022. All valuers are registered valuers and industry specialists in valuing the above types of investment properties.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

12. Investment properties CONTINUED

The table below summarises income and expenses related to investment properties:

	2022 $M	2021 $M
Rental income for investment properties	95.3	83.6
Recoverable cost income	7.9	6.9
Direct operating expenses for investment properties that derived rental income	(9.6)	(8.6)
Direct operating expenses for investment properties that did not derive rental income	(2.3)	(2.4)

The following categories of investment property are leased to tenants:

- Retail and service carried at $328.8 million (30 June 2021: $301.5 million);
- Industrial carried at $1,879.8 million (30 June 2021: $1,709.4 million); and
- Other investment property carried at $221.9 million (30 June 2021: $216.2 million).

The above values include the land associated with these properties.

13. Cash and cash equivalents

	2022 $M	2021 $M
Short-term deposits	22.9	79.0
Cash and bank balances	1.8	0.5
Total cash and cash equivalents	24.7	79.5

Cash and bank balances earn interest at daily bank deposit rates. During the year, surplus funds were deposited on the overnight money market at a rate of 0.25% to 2.00% (2021: at a rate of 0.25% to 1.41%).

At 30 June 2022, Auckland Airport held total cash and cash equivalents of $24.7 million (2021: $79.5 million). The short-term deposits at 30 June 2022 ranged from $10.0 million to $13.0 million and were spread across two financial institutions to minimise credit risk, with those being ASB Bank and Bank of New Zealand (2021: $20.0 million to $36.0 million across three financial institutions). These financial institutions had a credit rating of 'A' or above from Standard & Poor's. The level of deposits at each financial institution recognises a balance between returns and credit risk.

Further details of Auckland Airport's credit risk objectives and policies is available in note 18(d).

14. Trade and other receivables

	2022 $M	2021 $M
Trade receivables	5.1	8.2
Less: Expected credit losses	(2.8)	(3.4)
Net trade receivables	2.3	4.8
Prepayments	7.0	7.2
GST receivable	0.4	-
Revenue accruals and other receivables	18.8	13.4
Total trade and other receivables	28.5	25.4

Allowance for impairment

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. The group has assessed its expected credit losses using a credit risk matrix. Customers were assigned to four categories and a risk weighting applied to aged overdue balances. Because of a lack of useful historical data on which to base the 2022 COVID-19-related receivables impairment analysis, the group has applied judgement using management experience and customer interactions since the emergence of COVID-19. The categories are:

- Extreme risk – Customers in voluntary administration, liquidation or similar;
- High risk – Retail and transport customers who are most affected by New Zealand's international border closures;
- Medium risk – Airlines and other customers who are expected to be affected by COVID-19 but have alternative revenue streams or funding support; and
- Low risk – Government agencies, stable property tenants, essential services, customers with explicit government support or with strengthened balance sheets.

15. Issued and paid-up capital

	2022 $M	2021 $M	2022 Shares	2021 Shares
Opening number issued and paid-up capital at 1 July	1,679.2	1,678.6	1,472,034,637	1,471,916,791
Shares fully paid and allocated to employees by employee share scheme	0.6	0.3	102,300	56,300
Shares vested for employees participating in long-term incentive plans	0.4	0.3	58,194	61,546
Closing issued and paid-up capital at 30 June	1,680.2	1,679.2	1,472,195,131	1,472,034,637

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

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

Dividend reinvestment plan

The company has a dividend reinvestment plan. Under the plan, shareholders can elect to receive the value of their dividends in additional shares. The company considers whether the plan will apply to a dividend at each dividend announcement. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows. As mentioned in note 3(d) and note 9, no dividends were paid during, or declared for, the year ended 30 June 2022.

Share-based payment plans

As members of the group, the shares held by the Employee Share Purchase Plan and the Executive Long-Term Incentive Plan are eliminated from the group's issued and paid-up capital. When those shares are transferred out of the plans and vested to employees, they are recognised as an increase in issued and paid-up capital. Refer to note 23 – Share-based payment plans.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

16. Reserves

(a) Cancelled share reserve

	2022 $M	2021 $M
Balance at 30 June	(609.2)	(609.2)

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

(b) Property, plant and equipment revaluation reserve

	2022 $M	2021 $M
Balance at 1 July	5,099.9	4,333.7
Reclassification to retained earnings	(7.0)	(3.7)
Revaluation	75.8	769.9
Movement in deferred tax	(128.5)	-
Balance at 30 June	5,040.2	5,099.9

The property, plant and equipment revaluation reserve records the revaluation of land, buildings and services, infrastructure, runway, taxiways and aprons. The $75.8 million increase in revaluation reserve, during the year ended 30 June 2022, includes a $459.5 million increase in buildings, which is subject to deferred tax. This is partially offset by a revaluation decrease of $383.7 million in land with no tax impact (2021: $769.9 million increase in land with no tax impact).

(c) Share-based payments reserve

	2022 $M	2021 $M
Balance at 1 July	2.0	1.6
Long-term incentive plan expense	(0.1)	0.2
Movement in deferred tax	0.2	0.2
Balance at 30 June	2.1	2.0

The share-based payments reserve records the value of historical equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

(d) Cash flow hedge reserve

	Notes	2022 $M	2021 $M
Balance at 1 July		(50.4)	(100.7)
Fair value change in hedging instrument		85.5	57.7
Transfers to the income statement relating to:			
Hedged transactions in the income statement		9.1	(0.5)
Close-out of interest rate swaps linked to debt not refinanced	18(b)	-	11.6
Close-out of USPP related cross-currency swaps	18(b)	-	1.0
Movement in deferred tax		(26.5)	(19.5)
Balance at 30 June		17.7	(50.4)

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

(e) Cost of hedging reserve

	Note	2022 $M	2021 $M
Balance at 1 July		(1.1)	(3.9)
Change in currency basis spreads (when excluded from designated hedges)		(0.8)	(3.0)
Transferred to the income statement on close out of USPP related cross-currency swaps	18(b)	-	6.9
Movement in deferred tax		0.2	(1.1)
Balance at 30 June		(1.7)	(1.1)

The cost of hedging reserve captures changes in the fair value of the cost to convert foreign currency to NZD of Auckland Airport's cross-currency interest rate swaps.

(f) Share of reserves of associate and joint ventures

	2022 $M	2021 $M
Balance at 1 July	37.0	28.8
Share of reserves of associate and joint ventures	13.9	8.2
Balance at 30 June	50.9	37.0

The share of reserves of associate and joint ventures records the group's share of movements in the cash flow hedge reserve and the property, plant and equipment revaluation reserve of the associate and joint ventures. The cash flow hedge reserve of the associate and joint ventures records the effective portion of the fair value of interest rate swaps that are designated as cash flow hedges. Amounts transferred to the income statement of the associate and joint ventures are included in the share of profit of the associate and joint ventures.

17. Accounts payable and accruals

	2022 $M	2021 $M
Employee entitlements	9.5	8.4
GST payable	-	0.2
Property, plant and equipment retentions and payables	24.8	50.4
Investment property retentions and payables	6.9	8.1
Trade payables	10.4	1.3
Interest payables	9.6	8.1
Other payables and accruals	25.9	26.9
Total accounts payable and accruals	87.1	103.4

The above balances are unsecured.

The amount owing to the related parties at 30 June 2022 is $7.7 million (2021: $4.4 million), refer note 22.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities

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

	Notes	2022 $M	2021 $M
Current financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	13	24.7	79.5
Trade and other receivables		21.1	18.2
		45.8	97.7
Total current financial assets		**45.8**	**97.7**
Non-current financial assets			
Derivative financial instruments			
Cross-currency interest rate swaps		-	29.2
Interest rate swaps - cash flow hedges		28.1	-
		28.1	29.2
Total non-current financial assets		**28.1**	**29.2**
Total financial assets		**73.9**	**126.9**
Current financial liabilities			
Financial liabilities at amortised cost			
Accounts payable and accruals		87.1	103.4
Short-term borrowings	18(a)	515.6	220.0
Provisions		6.5	0.7
		609.2	324.1
Derivative financial instruments			
Interest rate swaps - cash flow hedges		0.9	1.9
Total current financial liabilities		**610.1**	**326.0**
Non-current liabilities			
Financial liabilities at amortised cost			
Term borrowings	18(a)	961.0	1,172.8
Other term liabilities		3.3	2.8
		964.3	1,175.6
Derivative financial instruments			
Interest rate swaps - cash flow hedges		2.4	67.9
Interest rate swaps - fair value hedges		8.3	-
Cross-currency interest rate swaps		5.0	-
Total non-current financial liabilities		**980.0**	**1,243.5**
Total financial liabilities		**1,590.1**	**1,569.5**

The cross-currency interest rate swaps consist of both a fair value hedge component and a cash flow hedge component.

Amounts subject to potential offset
The group's derivative financial instruments are subject to enforceable master netting arrangements. Each agreement allows the parties to elect net settlement of the relevant financial assets and liabilities in the event of default of the other party. The group's financial statements do not offset assets and liabilities with the same counterparties. Instead, it reports each derivative as either an asset or liability. However, if offsets were enforced by either party, the potential net amounts (assets less liabilities) would be derivative financial assets of $11.5 million (2021: derivative financial liabilities of $40.6 million).

(a) Borrowings

At the balance date, the following borrowings were in place for the group:

	Maturity	Coupon[1]	2022 $M	2021 $M
Current				
Commercial paper	< 3 months	Floating	142.6	92.0
Bank facility	31/01/2022	Floating	-	62.0
Bank facility	28/02/2022	Floating	-	66.0
Bank facility	20/11/2022	Floating	73.0	-
Bonds	11/10/2022	Floating	100.0	-
Bonds	9/11/2022	4.28%	100.0	-
Bonds	17/04/2023	3.64%	100.0	-
Total short-term borrowings			515.6	220.0
Non-current				
Bank facility	23/09/2027	Floating	-	83.0
Bank facility	20/11/2022	Floating	-	29.0
Bank facility	28/02/2023	Floating	-	15.0
Bank facility	31/07/2023	Floating	28.0	-
Bank facility	1/10/2023	Floating	37.0	-
Bank facility	16/08/2024	Floating	100.0	55.0
Bonds	11/10/2022	Floating	-	100.0
Bonds	9/11/2022	4.28%	-	100.0
Bonds	17/04/2023	3.64%	-	100.0
Bonds	2/11/2023	3.97%	225.0	225.0
Bonds	10/10/2024	3.51%	150.0	150.0
Bonds	17/11/2026	3.29%	141.2	-
AMTN notes[2]	23/09/2027	4.50%	279.8	315.8
Total term borrowings			961.0	1,172.8
Total				
Commercial paper			142.6	92.0
Bank facilities			238.0	310.0
Bonds			816.2	675.0
AMTN notes			279.8	315.8
Total borrowings			1,476.6	1,392.8

1 The coupon interest rate is the interest rate received by the group's lenders and does not reflect the group's total cost of borrowing. The group's total cost of borrowing may be higher or lower than the coupon, reflecting the impacts of hedging and amortised transaction costs.
2 The AMTN notes are denominated in Australian Dollar.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

Movement in borrowings

	2022 $M	2021 $M
Total borrowings at the beginning of the year	1,392.8	2,145.2
Decrease in borrowings during the year	(72.0)	(714.9)
Increase in borrowings during the year	200.6	105.0
Amortisation of premium received for issue at non-market rates	(0.7)	(0.4)
Revaluation of foreign denominated debt for changes in FX rate	8.4	(53.7)
Revaluation of debt in fair value hedge relationship	(52.5)	(88.4)
Total borrowings at the end of the year	1,476.6	1,392.8

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

In the year ended 30 June 2022, the only bank financing activities undertaken by the company were repayments on current standby bank facilities totalling $72.0 million.

Bonds and notes
Borrowings under the bond programme are supported by a master trust deed. They are unsecured and unsubordinated.

In the year ended 30 June 2022, the company issued $150.0 million of five-year 3.29% fixed rate bonds in November 2021 with a corresponding $100.0 million repayment of existing bank facilities.

In June 2021, the group prepaid the outstanding USPP notes totalling US$350.0 million. All USPP notes were hedged with cross-currency swaps and had related basis reset swaps that were closed out at the same time. Prepayment of the notes required 'make-whole' payments of $44.4 million to compensate investors for the effect of reduced interest rates available to them on reinvestment of the proceeds. The make-whole payments were partially offset by gains of $32.0 million on the related cross-currency swaps. This resulted in a net expense of $12.4 million recognised as an interest expense.

The carrying amount of AMTN notes has reduced due to interest rate movements. The foreign currency exposure is fully hedged by cross-currency interest rate swaps, which have similarly reduced in value.

During the current and prior periods, there were no defaults or breaches on any of the borrowing facilities. The covenant waivers granted by our banking group in April 2020 expired on 31 December 2021 and were replaced, first in August 2021 and again in February 2022, by modified interest coverage covenants applying from calendar year 2022 onwards. The most recent arrangements have converted the original 1.5x EBIT-based measure to an EBITDA-based measure that steps up progressively, broadly in line with the anticipated COVID-19 recovery. The EBITDA based interest coverage covenants are summarised in note 3.

(b) Hedging activity and derivatives

Cash flow hedges
At 30 June 2022, the group held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount (in NZD). The notional amount of the interest rate swaps in a cash flow hedge at 30 June 2022 is $1,145.0 million (2021: $1,250.0 million). These interest rate swaps are designated as cash flow hedges of the future variable interest rate cash flows on existing and future bank facilities, commercial paper and floating rate bonds. The interest payment frequency on these borrowings is quarterly.

For cash flow hedges, the effective part of the changes in fair value of the hedging derivative are deferred in other comprehensive income and are transferred to the income statement when the hedged item affects the income statement. Any gain or loss relating to the ineffective portion of the hedging instrument in cash flow hedge relationships are recognised in the income statement.

In May 2021, the group cancelled its plans to issue new floating rate debt and closed out $100.0 million of interest rate swaps that were intended to hedge that exposure. Since the underlying hedged cash flows were no longer expected to occur, hedge accounting was discontinued and a realised loss of $11.6 million to close the swaps was reclassified from the cash flow hedge reserve to the income statement and recognised as an interest expense. That cost approximated the present value of the group's future interest savings without the swaps.

In June 2021, the group prepaid USPP notes totalling US dollar 350.0 million and simultaneously closed out the associated cross-currency swaps. Since the underlying hedged cash flows were no longer expected to occur, hedge accounting was discontinued and realised losses of $1.0 million and $6.9 million were reclassified to the income statement, against interest expense, from the cash flow hedge reserve and cost of hedging reserve respectively. These were offset by a $39.9 million gain on the fair value component of the hedge, resulting in a net gain of $32.0 million. The net gain on the cross-currency interest rate swaps partially offset the $44.4 million make-whole cost to prepay the USPP notes. Further details are available at note 18(a).

During the year, the group assessed the remaining cash flow hedges to be highly effective and therefore they continue to qualify for hedge accounting.

Cross-currency swaps
The cross-currency interest rate swaps transform a series of known fixed interest rate cash flows in a foreign currency to floating rate NZD cash flows, mitigating exposure to fair value changes in the AMTN notes and previously the now repaid USPP notes.

For hedge accounting purposes, these swaps are aggregated and designated as two cash flow hedges and a fair value hedge. The fair value component transforms US and Australian fixed interest rates to US and Australian floating interest rates, respectively.

The change in the fair value of the hedged risk is attributed to the carrying value of the AMTN debt and previously also the USPP debt. This debt revaluation is recognised in the income statement to offset the mark-to-market revaluation of the hedging derivative.

The cross-currency basis element of the cross-currency interest rate swaps are excluded from the hedge designation and are separately recognised in other comprehensive income in a cost of hedging reserve. Additional detail on the treatment of the basis component can be found in note 16(e) – Cost of hedging reserve.

The cash flow components are hedge accounted as described above under Cash flow hedges.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Auckland Airport determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, reference interest rates, tenors, repricing dates, maturities and notional amounts. Auckland Airport assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

Derivatives in hedge relationships are designated based on a hedge ratio of 1:1. In these hedge relationships the main source of ineffectiveness is the effect of the counterparty and Auckland Airport's own credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates.

Gains or losses on the fixed interest bonds, USPP notes, derivatives and AMTN notes in a hedging relationship with fair value hedges recognised in the income statement in interest expense during the period were:

	2022 $M	2021 $M
Gains/(losses) on the USPP notes	-	80.3
Gains/(losses) on the AMTN notes	35.4	14.5
Gains/(losses) on the bonds	8.7	-
Gains/(losses) on the derivatives	(42.6)	(97.2)

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

As part of the issuance of the USPP notes and cross-currency interest rate swaps, additional basis swaps were taken out by the group to hedge the basis risk on the cross-currency interest rate swaps. The basis swaps converted the 10-year and 12-year fixed basis cost component of the cross-currency interest rate swaps to a much lower annual-resetting basis cost, thereby lowering the overall interest cost in New Zealand dollars of the US dollar USPP borrowings. The basis swaps were not hedge accounted. The basis swaps were closed out at a gain of $0.6 million when the USPP notes were prepaid (refer to note 18(a)).

Gains or losses on the basis swaps recognised in the income statement and the ineffective hedging component of the swaps recognised in the income statement relating to counterparty risk during the period were:

	2022 $M	2021 $M
Basis swaps transacted as hedges but not qualifying for hedge accounting	-	(1.1)
Credit valuation adjustments on hedges qualifying for hedge accounting	1.7	0.6
Derivative fair value change	1.7	(0.5)

The group has assessed that the sensitivity of reported profit to changes in the NZD/USD basis spreads is immaterial.

The details of the hedging instruments as at 30 June 2022 and 30 June 2021 are as follows:

	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument	Statement of financial position line item	Carrying amount of the hedging instrument		Change in value used for calculating hedge effectiveness
						Assets	Liabilities	
As at 30 June 2022				M		$M	$M	$M
Cash flow hedges								
Interest rate swaps	NZD	3.47%	1 - 7	NZ $1,145.0	Derivative financial instruments	28.1	3.2	26.9
Fair value and cash flow hedges								
Interest rate swaps	NZD	Floating	4	NZ $150.0	Derivative financial instruments	-	8.4	(8.4)
Cross-currency swaps	NZD:AUD	Floating	5	AU $260.0	Derivative financial instruments	-	5.0	(4.7)
Net hedging instruments						28.1	16.6	13.8

	Currency	Average rate	Maturity (years)	Notional amount of hedging instrument	Statement of financial position line item	Carrying amount of the hedging instrument		Change in value used for calculating hedge effectiveness
						Assets	Liabilities	
As at 30 June 2021				M		$M	$M	$M
Cash flow hedges								
Interest rate swaps	NZD	3.55%	0 - 8	NZ $1,250.0	Derivative financial instruments	-	69.8	(66.4)
Fair value and cash flow hedges								
Cross-currency swaps	NZD:AUD	Floating	6	AU $260.0	Derivative financial instruments	29.2	-	24.6
Net hedging instruments						29.2	69.8	(41.8)

All hedging instruments can be found in the derivative financial instrument's assets and liabilities in the statement of financial position. Items taken to the income statement have been recognised in the derivative fair value (decrease)/increase.

The details of hedged items as at 30 June 2022 and 30 June 2021 are as follows:

As at 30 June 2022	Statement of financial position line item	Carrying amount of the hedged item Assets $M	Carrying amount of the hedged item Liabilities $M	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets $M	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities $M	Change in value used for calculating hedge effectiveness $M
Cash flow hedges						
Aggregated variable interest rate exposure	Short-term/ Term borrowings	-	900.0	-	-	(7.1)
Highly probable forecast variable rate debt	-	-	-	-	-	(21.1)
Fair value hedges						
Aggregated variable interest rate exposure	Term borrowings	-	141.3	-	(8.7)	8.6
Fair value and cash flow hedges						
AMTN notes (AU$260 million)	Term borrowings	-	279.8	-	(7.6)	3.5
Net hedged items		-	1,321.1	-	(16.3)	(16.1)

As at 30 June 2021	Statement of financial position line item	Carrying amount of the hedged item Assets $M	Carrying amount of the hedged item Liabilities $M	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets $M	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities $M	Change in value used for calculating hedge effectiveness $M
Cash flow hedges						
Aggregated variable interest rate exposure	-	-	520.0	-	-	32.5
Highly probable forecast variable rate debt	-	-	-	-	-	34.5
Fair value and cash flow hedges						
AMTN notes (AU$260 million)	Term borrowings	-	315.8	-	27.9	(26.7)
Net hedged items		-	835.8	-	27.9	40.3

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

(c) Fair value

The group selects valuation techniques that aim to maximise the use of relevant observable inputs and minimise the use of unobservable inputs, provided that sufficient data is available. All assets and liabilities for which fair value is measured are assigned to levels within the fair value hierarchy. The different levels comprise:

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

To determine the level used to estimate fair value, the group assesses the lowest level input that is significant to that fair value.

There have been no transfers between levels of the fair value hierarchy in the year ended 30 June 2022 (2021: Nil).

The carrying value closely approximates the fair value of cash, accounts receivable, dividend receivable, other non-current assets, accounts payable and accruals, provisions and other term liabilities. The carrying amount of the group's current and non-current borrowings issued at floating rates closely approximates their fair value.

The group's bonds are classified as Level 1. The fair value of the bonds is based on the quoted market prices for these instruments at balance date. The group's AMTN notes are classified as Level 2. The fair value of the AMTN notes has been determined at balance date on a discounted cash flow basis using the AUD Bloomberg curve and applying discount factors to the future AUD interest payment and principal payment cash flows.

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	$M	$M	$M	$M
Bonds	816.2	816.5	675.0	710.9
AMTN notes	279.8	285.0	315.8	323.6

The group's derivative financial instruments are interest rate swaps and cross-currency interest rate swaps. They arise directly from raising finance for the group's operations. All the derivative financial instruments are hedging instruments for financial reporting purposes.

The group's derivative financial instruments are classified as Level 2. The future cash flows are estimated using the key inputs presented in the table alongside. The cash flows are discounted at a rate that reflects the credit risk of various counterparties.

Instrument	*Valuation key inputs*
Interest rate swaps	Forward interest rates (from observable yield curves) and contract interest rates
Basis swaps	Observable forward basis swap pricing and contract basis rates
Cross-currency interest rate swaps	Forward interest and foreign exchange rates (from observable yield curves and forward exchange rates) and contract rates

(d) Financial risk management objectives and policies

(i) Credit risk

The group's maximum exposure to credit risk at 30 June 2022 is equal to the carrying value of cash, accounts receivable, dividends receivable and derivative financial instruments. Credit risk is managed by restricting the amount of cash and marketable securities that can be placed with any one institution, which will be either the New Zealand Government or a New Zealand registered bank with an appropriate international credit rating. The group minimises its credit risk by spreading such exposures across a range of institutions, with Standard & Poor's credit ratings of 'A' or above (2021: 'A' or above).

The group's credit risk is also attributable to accounts receivable, which principally comprise amounts due from airlines, tenants and retail licensees. At 30 June 2022, the group identified $2.8 million of accounts receivable relating to customers who are at risk of not being able to meet their payment obligations (2021: $3.4 million), refer to note 14.

The group has a policy that manages exposure to credit risk by way of requiring a performance bond for material lease contracts or other customers whose credit rating or history indicates that this would be prudent. The value of performance bonds for the group is $3.3 million (2021: $2.7 million).

(ii) Liquidity risk

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

To manage the liquidity risk, the group's policy is to maintain sufficient available funding by way of committed, but undrawn, debt facilities. As at 30 June 2022, this undrawn facility headroom was $954.5 million (2021: $831.7 million). The group's policy also requires the spreading of debt maturities.

Bank facilities

During the year ended 30 June 2022, the group extended the maturity dates for a number of bank facilities as illustrated in the table below. All bank facilities are multi-currency facilities.

				2022			2021		
Type : Multi-currency facility	Maturity	Maturity	Facility	Available	Drawn	Undrawn	Available	Drawn	Undrawn
Bank	(June 2022)	(June 2021)	currency	NZ $M	NZ $M	NZ $M	NZ $M	NZ $M	NZ $M
ANZ Bank New Zealand	31/7/2023	31/1/2022	NZD	100.0	-	100.0	100.0	32.0	68.0
Bank of China (New Zealand)		31/1/2022	NZD	-	-	-	30.0	30.0	-
Bank of New Zealand		28/2/2022	NZD	-	-	-	50.0	40.0	10.0
Bank of New Zealand		28/2/2023	NZD	-	-	-	80.0	-	80.0
China Construction Bank Corporation	16/11/2022	16/11/2022	NZD	95.0	73.0	22.0	95.0	83.0	12.0
China Construction Bank Corporation	3/4/2024	3/4/2024	NZD	30.0	-	30.0	30.0	-	30.0
Commonwealth Bank of Australia	30/11/2022	30/11/2022	AUD	99.5	-	99.5	96.7	29.0	67.7
Mizuho Bank, Ltd. Sydney Branch OBU	1/10/2023	3/4/2022	NZD	70.0	37.0	33.0	70.0	-	70.0
Mizuho Bank, Ltd. Sydney Branch OBU	26/7/2024	26/7/2024	NZD	100.0	100.0	-	100.0	55.0	45.0
MUFG Bank, Ltd.	31/10/2023	31/3/2022	NZD	195.0	-	195.0	195.0	-	195.0
MUFG Bank, Ltd.	28/2/2023	28/2/2023	NZD	50.0	-	50.0	50.0	15.0	35.0
Westpac New Zealand Limited		28/2/2022	NZD	-	-	-	50.0	26.0	24.0
Westpac New Zealand Limited	31/10/2023	31/3/2022	NZD	195.0	-	195.0	195.0	-	195.0
Bank of China (New Zealand)	31/7/2023		NZD	28.0	28.0	-	-	-	-
Bank of New Zealand	24/4/2025		NZD	150.0	-	150.0	-	-	-
Westpac New Zealand Limited	31/7/2023		NZD	80.0	-	80.0	-	-	-
			Total NZD equivalent	**1,192.5**	**238.0**	**954.5**	**1,141.7**	**310.0**	**831.7**

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

The following liquidity risk disclosures reflect all undiscounted principal repayments and interest payments resulting from recognised financial liabilities and financial assets as at 30 June 2022. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. Liquid non-derivative assets comprising cash and receivables are considered in the group's overall liquidity risk. The group ensures that sufficient liquid assets or committed funding facilities are available to meet all the required short-term cash payments and expects borrowings to roll over.

Undiscounted cash flows on financial assets and liabilities

	Carrying amount $M	Contractual cash flows $M	< 1 year $M	1 to 3 years $M	3 to 5 years $M	> 5 years $M
Year ended 30 June 2022						
Financial assets						
Cash and cash equivalents	24.7	24.7	24.7	-	-	-
Accounts receivable	21.1	21.1	21.1	-	-	-
Derivative financial assets	28.1	32.3	2.1	13.2	12.4	4.6
Total financial assets	73.9	78.1	47.9	13.2	12.4	4.6
Financial liabilities						
Accounts payable, accruals and other term liabilities	(96.9)	(96.9)	(96.9)	-	-	-
Commercial paper	(142.6)	(143.0)	(142.2)	-	-	-
Bank facilities	(238.0)	(253.5)	(73.0)	(165.0)	-	-
Bonds	(816.3)	(881.1)	(300.0)	(375.0)	(150.0)	-
AMTN notes	(279.8)	(358.6)	-	-	-	(287.5)
Derivative financial liabilities	(16.6)	(22.6)	(6.8)	(12.4)	(8.9)	5.4
Interest payable	-	-	(48.5)	(55.4)	(33.2)	(6.5)
Total financial liabilities	(1,590.2)	(1,755.7)	(667.4)	(607.8)	(192.1)	(288.6)
Year ended 30 June 2021						
Financial assets						
Cash and cash equivalents	79.5	79.5	79.5	-	-	-
Accounts receivable	18.2	18.2	18.2	-	-	-
Derivative financial assets	29.2	25.7	6.6	8.8	5.1	5.1
Total financial assets	126.9	123.4	104.3	8.8	5.1	5.1
Financial liabilities						
Accounts payable, accruals and other term liabilities	(106.9)	(106.9)	(106.9)	-	-	-
Commercial paper	(92.0)	(92.0)	(92.0)	-	-	-
Bank facilities	(310.0)	(323.1)	(128.0)	(127.0)	(55.0)	-
Bonds	(675.0)	(731.3)	-	(525.0)	(150.0)	-
AMTN notes	(315.8)	(367.9)	-	-	-	(284.5)
Derivative financial liabilities	(69.8)	(73.7)	(17.0)	(28.7)	(20.1)	(7.9)
Interest payable	-	-	(44.2)	(61.0)	(28.5)	(19.1)
Total financial liabilities	(1,569.5)	(1,694.9)	(388.1)	(741.7)	(253.6)	(311.5)

(iii) Interest rate risk

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

The group's policy is to manage its interest rate exposure using a mix of fixed and variable rate debt and interest rate derivatives that are accounted for as cash flow hedges or fair value hedges. The group's policy is to keep its exposure to borrowings at fixed rates of interest between parameters set out in the group's treasury policy. At year end, 71.5% (2021: 80.4%) of the borrowings (including the effects of the derivative financial instruments and cash and funds on deposit) were subject to fixed interest rates, which are defined as borrowings with an interest reset date greater than one year. The hedged forecast future interest payments are expected to occur at various dates between one month and seven years from 30 June 2022 (2021: one month and eight years).

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

	2022 $M	2021 $M
Financial assets		
Cash and cash equivalents	24.7	79.5
	24.7	79.5
Financial liabilities		
Bonds swapped to floating	150.0	-
Bank facilities	58.0	100.0
Commercial paper	57.6	6.9
AMTN notes	159.5	159.5
	425.1	266.4
Net exposure	400.4	186.9

Interest rate sensitivity

The following table demonstrates the sensitivity to a change in floating interest rates of plus and minus 10 basis points, with all other variables held constant, of the company's profit before tax and equity:

	2022 $M	2021 $M
Increase in interest rates of 10 basis points		
Effect on profit before taxation	(0.4)	(0.2)
Effect on equity before taxation	3.3	5.9
Decrease in interest rates of 10 basis points		
Effect on profit before taxation	0.4	0.2
Effect on equity before taxation	(3.4)	(5.9)

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

- Effect on profit before tax and effect on equity is based on net floating rate debt and funds on deposit as at 30 June 2022 of $400.4 million (2021: $186.9 million). Interest rate movements of plus and minus 10 basis points have been applied to this floating rate debt to demonstrate the sensitivity to interest rate risk; and
- Effect on equity is the movement in the valuation of derivatives that are designated as cash flow hedges due to an increase or decrease in interest rates. All derivatives that are effective as at 30 June 2022 are assumed to remain effective until maturity. Therefore, any movements in these derivative valuations are taken to the cash flow hedge reserve within equity and they will reverse entirely by maturity date.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18. Financial assets and liabilities CONTINUED

(iv) Foreign currency risk

During the years ended 30 June 2022 and 30 June 2021, the group was exposed to foreign currency risk with respect to Australian and US dollars.

Exposure to the Australian dollar arises from Australian Medium Term Notes. This exposure has been fully hedged by way of cross-currency interest rate swaps hedging both principal and interest.

Exposure to the US dollar arose from USPP borrowings denominated in that currency. This exposure was fully hedged by way of cross-currency interest rate swaps combined with the basis swaps, hedging US dollar exposure on both principal and interest. The USPP borrowings and associated hedges were repaid and closed out during the prior year and there is no US dollar exposure at 30 June 2022. Further details are available at notes 18(a) and 18(b).

The cross-currency interest rate swaps correspond in amount and maturity to the relevant borrowings with no residual foreign currency risk exposure.

The cross-currency interest rate swaps consist of a fair value hedge component and a cash flow hedge component. The effective movements on the fair value hedge component are taken to the income statement along with all movements of the hedged risk on the AMTN notes. The effective movements of the cash flow hedge components are all taken to the cash flow hedge reserve.

The net exposure at balance date is representative of what the group was and is expecting to be exposed to in the next 12 months from balance date.

The following sensitivity analysis is based on the foreign currency risk exposure to the Australian dollar in existence at 30 June 2022. Had the New Zealand dollar moved either up or down by 10%, with all other variables held constant, profit before taxation and equity before taxation would have been affected as follows:

	2022 $M	2021 $M
Increase in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	(0.5)	(0.4)
Decrease in value of NZ dollar of 10%		
Impact on profit before taxation	-	-
Impact on equity before taxation	0.6	0.3

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

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements. A movement of plus or minus 10% has been applied to the exchange rates to demonstrate the sensitivity to foreign currency risk of the company's debt and associated derivative financial instruments; and

- The sensitivity was calculated by taking the spot rate as at balance date of 0.90445 for AUD (2021: 0.9311) and moving this spot rate by the reasonably possible movements of plus or minus 10% and then reconverting the foreign currency into NZD with the new spot rate. This methodology reflects the translation methodology undertaken by the group.

(v) Capital risk management

The group's objective is to maintain a capital structure mix of shareholders' equity and debt that achieves a balance between ensuring the group can continue as a going concern and providing a capital structure that maximises returns for shareholders and reduces the cost of capital to the group. The appropriate capital structure of the group is determined from consideration of our target credit rating, comparison to peers, sources of finance, borrowing costs, general shareholder expectations, the ability to distribute surplus funds efficiently, future business strategies and the ability to withstand business shocks.

The group can maintain or adjust the capital structure by adjusting the level of dividends, changing the level of capital expenditure, issuing new shares, returning capital to shareholders or selling assets to reduce debt. The group monitors the capital structure on the basis of the gearing ratio and by considering the credit rating of the company. In the year to 30 June 2022, Auckland Airport continued with key capital management initiatives including the cancellation of dividends (note 9) and reduction in capital expenditure (note 11 and note 12) to improve the financial position of the group.

The gearing ratio is calculated as borrowings divided by borrowings plus the market value of shareholders' equity. The gearing ratio as at 30 June 2022 is 12.1% (2021: 11.5%). The current long-term credit rating of Auckland Airport by Standard & Poor's at 30 June 2022 is 'A- Stable Outlook' (2021: 'A- Stable Outlook').

19. Commitments

(a) Property, plant and equipment
The group had contractual obligations to purchase or develop property, plant and equipment for $198.8 million at 30 June 2022 (2021: $31.5 million). These include the development of a new Transport Hub opposite the international terminal, aeronautical works, and enabling works associated with the integration of the domestic and international terminals.

(b) Investment property
The group had contractual obligations to either purchase, develop, repair or maintain investment property for $34.3 million at 30 June 2022 (2021: $43.5 million).

(c) Joint ventures
During the year ended 30 June 2022, the Tainui Auckland Airport Hotel 2 Limited Partnership (joint venture) tendered a contract for the second and final phase of development of a new Pullman Hotel. At 30 June 2022, the joint venture's contractual obligations for the hotel development were $82.0 million (30 June 2021: $5.7 million). The group's share of those commitments was $41.0 million at 30 June 2022 (30 June 2021: $2.9 million).

(d) Operating lease receivable – group as lessor
The group has commercial properties owned by the company that produce rental income and retail concession agreements that produce retail income.

These non-cancellable leases have remaining terms of between one month and 29 years (2021: one month and 30 years). Most leases with an initial period over three years include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions. A very small minority can be revised downwards under normal trading conditions. However, some of the retail concession arrangements contain provisions for rental to be adjusted downwards in the event of a fall in passenger numbers.

The future minimum lease receivables have been reduced where the group has contractual or constructive obligations to adjust fixed rent in response to COVID-19 and the associated reductions in passenger numbers.

Future minimum rental and retail income receivable under non-cancellable operating leases as at 30 June are as follows:

	2022 $M	2021 $M
Within one year	116.4	107.7
Between one and two years	103.9	93.7
Between two and three years	95.6	82.9
Between three and four years	87.6	73.7
Between four and five years	78.7	64.1
After more than five years	740.0	562.7
Total minimum lease payments receivable	1,222.2	984.8

20. Contingent liabilities

Noise mitigation
Auckland Airport Designation 1100, contained in the Auckland Unitary Plan, sets out the requirements for noise mitigation for properties affected by aircraft noise. The conditions include obligations on the company to mitigate the impact of aircraft noise through the installation of noise mitigation packages to existing dwellings and schools. The noise mitigation packages provide treatment of dwellings to achieve an internal noise environment of no more than 40dB. The company is required to subsidise 100% of treatment costs for properties in the high aircraft noise area and 75% in the medium aircraft noise area.

The aircraft noise contours included in Designation 1100 reflect the long-term predicted aircraft noise levels generated by aircraft operations from the existing runway and proposed northern runway. Annually, the company projects the level of noise that will be generated from aircraft operations for the following 12 months. These annual projections confirm which dwellings and schools are eligible for noise mitigation each year and offers are sent out to those affected properties. It is at the discretion of the individual landowner whether they accept a noise mitigation package.

Projections are undertaken annually to determine eligibility, and the rate of acceptance of offers of treatment by landowners is variable. However, it is estimated that further costs on noise mitigation should not exceed $7.8 million (2021: $8.0 million), refer note 21.

Contractor claims
A contingent liability of $7.3 million (2021: $10.1 million) has been recognised for contractor claims in respect of capital works which are under ongoing independent assessment of both entitlement and value. The group has taken a conservative view and recognised as a contingent liability the total uncertified contractor claims.

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

21. Provisions

Firefighting foam contaminated water and soil clean-up
Per and PolyFluoroalkyl Substances (PFAS) containing firefighting foam has been widely used in the airport sector, globally and throughout New Zealand. There is evidence of varying levels of PFAS contaminated surface water and sediment derived from historical firefighting foams used at Auckland Airport. The group has provided for anticipated remediation costs of $6.0 million but further investigations are to be completed in the financial year ending June 2023 to confirm the method, extent and further refine costs of remediation.

Noise mitigation
Annual projections of aircraft noise levels determine requirements for Auckland Airport to fund noise mitigation packages for dwellings and schools affected by aircraft noise. The company makes an annual offer to affected landowners and, on acceptance of an offer, the group records a provision for the estimated cost of installing that year's mitigation packages. The annual cost varies depending on the extent of properties affected and the number of offers accepted. As disclosed in note 20, it is estimated that further costs on noise mitigation should not exceed $7.8 million (2021: $8.0 million).

Contract termination costs
As a result of the significant disruption caused by the imposition of travel restrictions in reference to COVID-19, Auckland Airport suspended a number of construction contracts during the year ended 30 June 2020. Those contracts were for infrastructure projects that were providing additional capacity that was no longer considered necessary in the immediate future. The group provided $36.3 million as at 30 June 2020 for the expected costs of early termination of those construction contracts. During the comparative year ended 30 June 2021, the group successfully concluded negotiations with all contractors, resulting in $18.0 million being used in settlements and $18.3 million being reversed to the income statement. There were no new provisions for contract termination costs during the current year ended 30 June 2022.

	Foam disposal $M	Noise mitigation $M	Contract termination $M	Total $M
Year ended 30 June 2022				
Opening balance	0.2	0.5	-	0.7
Provisions made during the year	5.9	0.2	-	6.1
Expenditure for the year	(0.1)	(0.2)	-	(0.3)
Total provisions at year end	6.0	0.5	-	6.5
Year ended 30 June 2021				
Opening balance	0.3	0.6	36.3	37.2
Provisions made during the year	-	0.2	-	0.2
Unused amounts reversed during the year	-	-	(18.3)	(18.3)
Expenditure for the year	(0.1)	(0.3)	(18.0)	(18.4)
Total provisions at year end	0.2	0.5	-	0.7

22. Related party disclosures

(a) Transactions with related parties

All trading with related parties, including and not limited to rentals and other sundry charges, has been made on an arm's-length commercial basis, without special privileges, except for the provision of accounting and advisory services to Auckland International Airport Marae Limited at no charge.

No guarantees have been given or received.

Auckland Council
Auckland Council is a significant shareholder of the company, with a shareholding in excess of 18% (2021: in excess of 18%).

On 28 October 2010, Auckland Airport and Manukau City Council came to an agreement where Auckland Airport agreed to vest approximately 24 hectares of land in the north of the airport to the Council as public open space for the consideration of $4.1 million. The vesting of the land will be triggered when building development in that precinct achieves certain levels.

The obligations and benefits of the agreement relating to Manukau City Council now rest with Auckland Council.

Transactions with Auckland Council and its subsidiaries are as follows:

	2022 $M	2021 $M
Rates	13.6	13.6
Building consent costs and other local government regulatory obligations	1.5	1.5
Water, wastewater and compliance services	1.8	1.3
Grounds maintenance	1.4	1.8

The amount owing to Auckland Council at 30 June 2022 is $0.1 million (2021: $0.2 million).

Interest of directors in certain transactions
A number of the company's directors are also directors of other companies, and a number of these companies transacted with the group on normal commercial terms during the reporting period. Any transactions undertaken with these entities have been entered into on an arm's-length commercial basis, without special privileges. Material related party relationships are reported in the tables below.

These transactions include the following:

	2022 $M	2021 $M
Fulton Hogan	17.2	6.8
Downer New Zealand Limited	33.3	28.2

Amounts owing to related parties are as follows:

	2022 $M	2021 $M
Fulton Hogan	2.6	-
Downer New Zealand Limited	5.0	4.2

Associate and joint ventures
Related party transactions with the following associate entities and joint ventures are disclosed at note 8:

- Tainui Auckland Airport Hotel Limited Partnership;
- Tainui Auckland Airport Hotel 2 Limited Partnership; and
- Queenstown Airport Corporation Limited.

One of the company's directors is also a director of Tainui Group Holdings, the joint venture partner in the above hotel partnerships.

(b) Key management personnel compensation

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

	Note	2022 $M	2021 $M
Directors' fees		1.5	1.3
Senior management's salary and other short-term benefits		6.2	3.9
Senior management's share-based payments	23(b)	0.7	0.6
Senior managments's termination benefits		0.6	-
Total remuneration		9.0	5.8

Notes and accounting policies CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

23. Share-based payment plans

(a) Employee share purchase plan

The purchase plan is open to all full-time and part-time employees (not directors) at an offer date. The company advances to the purchase plan all the monies necessary to purchase the shares under the purchase plan. The advances are repayable by way of deduction from the employee's regular remuneration. These advances are interest free.

The shares allocated under the purchase plan are held in trust for the employees by the trustees of the purchase plan during the restrictive period, which is the longer of three years or the period of repayment by the employee of the loan made by the trust to the employee in relation to the acquisition of shares.

Movement in ordinary shares allocated to employees under the purchase plan is as follows:

	2022 Shares	2021 Shares
Shares held on behalf of employees		
Opening balance	343,300	305,200
Shares issued during the year	38,410	96,300
Shares reallocated to employees	29,300	32,300
Shares fully paid and allocated to employees	(102,300)	(56,300)
Shares forfeited during the year	(52,980)	(34,200)
Total shares held on behalf of employees	255,730	343,300
Unallocated shares held by the purchase plan	45,480	21,900
Total shares held by the purchase plan	301,210	365,200

On 8 November 2021, 29,300 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 38,410 new shares were issued at nil consideration, up to a value of $1,500 per employee. No repayments are required in respect of this offer, but the shares remain subject to a three-year restrictive period. The offer was both as an acknowledgement of employees' hard work and also the critical role they will play as aviation recovers. On 5 November 2020, 32,300 shares were allocated from a surplus of shares held by the Trustees of the Auckland International Airport Limited Share Purchase Plan and 96,300 new shares were issued at a price of $5.664, being a 20% discount on the weighted average market selling price at which ordinary shares were sold on the NZX Main Board on 5 November 2020.

(b) Long-term incentive plan (LTI plan)

Share rights LTI plan

In August 2019, the directors introduced a new share rights LTI plan that vests from calendar year 2022 onwards. This replaced the legacy LTI plan disclosed below. Under the new LTI plan, share rights are granted to participating executives with a three-year vesting period. Share rights, once vested and exercised, entitle the participating executives to receive shares in Auckland Airport. The vesting rules and performance hurdles are described below.

Legacy LTI plan

The final tranche of the previous equity-settled LTI plan vested on 24 September 2021. Under that legacy LTI plan, shares were issued and then held in trust for participating executives for a three-year vesting period. The executives were entitled to the dividends on the shares during the vesting period at the same rate as paid to all ordinary shareholders. The vesting rules and performance hurdles are described below.

Vesting rules and performance hurdles

The vesting rules and performance hurdles are the same for both the share rights and the legacy LTI plans. The receipt of the shares, or vesting, is at nil cost to executives and subject to remaining employed by Auckland Airport during the vesting period and achievement of total shareholder return (TSR) performance hurdles. For 50% of the shares granted under the plans, all shares will vest if the TSR equals or exceeds the company's cost of equity plus 1% compounding annually (independently calculated by Jarden and PricewaterhouseCoopers). For the other 50% of shares granted, the proportion of shares that vest depends on Auckland Airport's TSR relative to a peer group. The peer group comprises the members of the Dow Jones Brookfield Airports Infrastructure Index (excluding Auckland Airport) at each grant date. To the extent that performance hurdles are not met or executives leave Auckland Airport prior to vesting, the shares or share rights are forfeited.

On 12 November 2021, Adrian Littlewood retired from his role as chief executive after more than 12 years with the company and nine years as chief executive. At the Board's discretion Adrian will retain his 71,318 share rights that become exercisable on 30 September 2022. However, he has forfeited his remaining 93,931 share rights that would have become exercisable on 1 October 2023 resulting in a reversal of $0.3 million of previous expense. All other conditions of the LTI plan remain in place for Adrian and other participants, including being subject to the usual performance measures.

Share rights LTI plan

Grant date	Vesting date	Number of share rights: Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
27 September 2019	30 September 2022	161,776	-	-	-	161,776
4 December 2020	1 October 2023	213,020	-	-	93,931	119,089
30 September 2021	30 September 2024	-	122,558	-	-	122,558
8 April 2022	30 September 2024	-	61,374	-	-	61,374
Total share rights		374,796	183,932	-	93,931	464,797

Legacy LTI plan

Grant date	Vesting date	Number of shares held on behalf of executives: Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
24 September 2018	24 September 2021	116,385	-	58,193	58,192	-
Total shares		116,385	-	58,193	58,192	-

Fair value of share rights granted

The LTI plans are valued as nil-price in-substance options at the date at which they are granted using a probability weighted pay-off valuation model independently prepared by Jarden. The following table lists the key inputs to the valuation. Volatility estimates were derived using historical data over the past two years. The cost is recognised in the income statement over the vesting period, together with a corresponding increase in the share-based payment reserve in equity.

Grant date	Vesting date	Grant price	Risk-free interest rate range	Expected volatility of share price	Estimated fair value per share right	Share price at exercise
24 September 2018	24 September 2021	$7.13	1.80 - 2.00%	18.2%	$3.08	$7.36
27 September 2019	30 September 2022	$9.25	0.79 - 0.81%	19.8%	$4.01	N/A
4 December 2020	1 October 2023	$7.03	0.04 - 0.18%	36.8%	$3.41	N/A
30 September 2021	30 September 2024	$7.26	1.00 - 1.55%	26.2%	$3.56	N/A
8 April 2022	30 September 2024	$7.33	1.00 - 1.55%	26.2%	$3.60	N/A

It has been assumed that participants will remain employed with the company until the vesting date.

The share-based payment expense relating to the LTI plan for the year ended 30 June 2022 is $0.1 million (2021: $0.2 million) with a corresponding decrease in the share-based payments reserve (refer note 16(c)).

24. Events subsequent to balance date

On 16 August 2022, the directors of Queenstown Airport declared a final dividend of $1.3 million for the year ended 30 June 2022. The group’s share of the dividend is $0.3 million.

On 18 August 2022, the directors of Auckland Airport resolved that no final dividend would be declared for the year ended 30 June 2022.

Deloitte.

Audit Report

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

Opinion

We have audited the consolidated financial statements of Auckland International Airport Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 25 to 79, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the area of greenhouse gas inventory assurance reporting, trustee reporting and assurance reporting for regulatory reporting as well as non-assurance services provided to the Corporate Taxpayers Group of which the Company is a member. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair Value of Revalued Property, Plant and Equipment Land, buildings and services, runway, taxiways, aprons and infrastructure property, plant and equipment ('Revalued PPE') are recorded on the statement of financial position at their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses (if any). The Group revalues these assets at regular intervals that are sufficient to ensure that the carrying values are not materially different to their fair values. The carrying value of these assets as at 30 June 2022 is $6,887.5 million. Land assets were revalued at 30 June 2022. A revaluation loss of $383.7 million is recognised in other comprehensive income, and a revaluation loss of $2.5 million recognised in the income statement. Buildings and services assets were revalued at 30 June 2022. A revaluation gain of $459.5 million is recognised in other comprehensive income, and a revaluation gain of $1.1 million is recognised in the income statement. Runway, taxiways and aprons, and infrastructure were last revalued at 30 June 2020. The Group did not carry out revaluations in 2022 on these assets as it assessed there has been no material change in fair values. The Group's assessment considered movements in the relevant capital goods price indices and other relevant market indicators. Note 11 to the financial statements provides summary information about each class of Revalued PPE, including descriptions of the valuation methodologies used in the latest valuations. We consider the fair value of Revalued PPE to be a key audit matter due to the materiality of the carrying amounts to the financial statements and the judgement involved in determining their fair values, including those that relate to the impacts of COVID-19.	In relation to the land, buildings and services assets revalued in the current year, our audit procedures focused on the valuation process, methodologies and key inputs. We evaluated the Group's processes in respect of the independent valuations including the selected valuation methodologies, the internal data provided to the valuers where relevant, and the reconciliation of the valuations to the asset register. We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations. We specifically discussed the potential outcomes of the Duty Free tender planned for the second half of the 2024 financial year, as well as other upcoming retail lease renewals in relation to land associated with retail facilities within terminal buildings. We also discussed the continued impact of COVID-19 with valuers. Our procedures included: • Reading the valuation reports for all properties, considering whether the methodology applied was appropriate for the asset being valued, and ensuring the reports considered the impacts of COVID-19; • Assessing the methodology for consistency with prior valuations and considering whether any changes to the methodology were required; • Testing the key inputs to the valuations across a sample of properties by agreeing information to underlying records and comparing assumptions against market data where available; • Challenging management's COVID-19 rental abatements analysis and ensuring that these were factored into the valuation process; and • Reviewing the valuations for any limitations of scope, as a result of COVID-19, that would impact the reliability of the valuations. For all other PPE carried at fair value, our audit procedures focused on the appropriateness of the Group's assessment that the carrying value is not materially different to fair value. Our procedures included: • Assessing whether the capital goods price indices used by the Group are appropriate; • Comparing the capital goods price indices and other relevant inputs to observable market data and testing the accuracy of the Group's calculation of changes; and • Considering the appropriateness of the Group's assessment that carrying values are not materially different to fair value, including the Group's consideration of the impact of COVID-19.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties Investment properties of $2,897.4 million are recorded at fair value in the statement of financial position at 30 June 2022. A revaluation gain of $204.4 million is recognised in the income statement. Revaluations are carried out annually by independent registered valuers. Estimating the fair values requires judgement and the models used include both observable and non-observable inputs. Vacant land ($466.9 million) is valued using a direct sales comparison. Retail and service, industrial, and other investment properties ($2,430.5 million) are valued using discounted cash flow models. The significant inputs to the discounted cash flow models are market rental rates, rental growth rates and discount rates. Note 12 to the financial statements provides summary information about the investment properties held by the Group and quantitative information about the key inputs to the valuation models. Note 11 (c) describes the methodologies used and provides qualitative information about the sensitivity of the models to changes in the key inputs. We consider the valuation of investment properties to be a key audit matter due to the materiality of revaluation gains and carrying amounts to the financial statements and the judgement involved in determining their fair values.	Our audit procedures focused on the appropriateness of the valuation methodologies and key inputs applied in the models. We evaluated the competence, objectivity and independence of the external valuers. This included assessing their professional qualifications and experience and obtaining representation from them regarding their independence and the scope of their work. We also met with the independent valuers to discuss and challenge key aspects of their valuations. We specifically discussed the impact on the valuations of COVID-19 and the current macroeconomic conditions with valuers. We read the valuation reports for all properties and considered whether the methodology applied was appropriate for the property being valued. We assessed the methodology for consistency with the prior period and considered whether any changes to the methodology were appropriate. We performed testing on a sample of the valuation reports. Our procedures included: • Testing the key inputs to the valuations by agreeing information to underlying records and comparing assumptions against market data where available; • Challenging management's COVID-19 rental abatements analysis and ensuring that the possible rental losses identified were factored into the valuation process; and • Reviewing the valuations for any limitations of scope, as a result of COVID-19, that would impact the reliability of the valuations.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated nancial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board’s website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor’s report.

Restriction on use

This report is made solely to the Company’s shareholders, as a body. Our audit has been undertaken so that we might state to the Company’s shareholders those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company’s shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Andrew Dick, Partner
for Deloitte Limited
Auckland, New Zealand
18 August 2022

Five-year summary

FOR THE YEAR ENDED 30 JUNE 2022

Group income statement	2022 $M	2021[1] $M	2020 $M	2019 $M	2018 $M
Income					
Airfield income	60.9	64.0	100.6	127.6	122.1
Passenger services charge	33.8	24.2	133.0	185.1	179.1
Retail income	22.7	17.8	141.5	225.8	190.6
Rental income	129.7	115.2	109.2	107.8	97.6
Rates recoveries	8.6	7.8	7.7	6.7	6.0
Car park income	26.2	28.7	50.3	64.2	61.0
Interest income	0.3	4.9	1.7	1.8	2.2
Other income	18.1	18.5	23.0	24.4	25.3
Total income	300.3	281.1	567.0	743.4	683.9
Expenses					
Staff	50.0	45.6	62.9	59.1	57.9
Asset management, maintenance and airport operations	66.7	53.4	77.5	81.1	69.5
Rates and insurance	21.0	20.8	18.0	16.1	13.7
Marketing and promotions	1.4	1.0	8.3	12.7	13.8
Professional services and levies	4.3	4.0	6.2	8.6	11.1
Fixed asset write-offs, impairment and termination costs	6.9	2.5	117.5	-	-
Reversal of fixed asset impairment and termination costs	-	(19.4)	-	-	-
Other expenses	6.1	6.3	6.3	11.0	11.5
Expected credit losses/(release)	(0.6)	(4.2)	(4.2)	-	-
Total expenses	155.8	110.0	306.6	188.6	177.5
Earnings before interest expense, taxation, depreciation, fair value adjustments and investments in associate and joint ventures (EBITDAFI)[2]	144.5	171.1	260.4	554.8	506.4
Investment property fair value change	204.4	527.3	168.6	254.0	152.2
Property, plant and equipment fair value change	(1.4)	(7.5)	(45.9)	(3.8)	-
Derivative fair value change	1.7	(0.5)	(1.9)	(0.6)	(0.7)
Share of profit of associate and joint ventures	(12.8)	21.1	8.4	8.2	16.7
Gain on sale of associate	-	-	-	-	297.4
Impairment of investment in joint venture	-	-	(7.7)	-	-
Earnings before interest, taxation and depreciation (EBITDA)[2]	336.4	711.5	381.9	812.6	972.0
Depreciation	113.1	120.9	112.7	102.2	88.9
Earnings before interest and taxation (EBIT)[2]	223.3	590.6	269.2	710.4	883.1
Interest expense and other finance costs	53.7	94.0	71.8	78.5	77.2
Profit before taxation	169.6	496.6	197.4	631.9	805.9
Taxation expense/(benefit)	(22.0)	30.0	3.5	108.4	155.8
Profit after taxation attributable to the owners of the parent	191.6	466.6	193.9	523.5	650.1

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.
2 EBITDAFI, EBITDA and EBIT are non-GAAP measures. Refer to note 3(e) for more information.

Group statement of comprehensive Income	2022 $M	2021[1] $M	2020 $M	2019 $M	2018 $M
Profit for the period	191.6	466.6	193.9	523.5	650.1
Other comprehensive income					
Items that will not be reclassified to the income statement					
Property, plant and equipment net revaluation movements	75.8	769.9	(599.8)	87.6	1,189.6
Tax on the property, plant and equipment revaluation reserve	(128.5)	-	(32.5)	(24.6)	-
Movement in share of reserves of associate and joint ventures	13.9	8.2	-	-	8.0
Items that will not be reclassified to the income statement	(38.8)	778.1	(632.3)	63.0	1,197.6
Items that may be reclassified subsequently to the income statement					
Cash flow hedges					
Fair value gains/(losses) recognised in the cash flow hedge reserve	85.5	57.7	(44.5)	(47.1)	(9.5)
Realised (gains)/losses transferred to the income statement	9.1	12.1	(2.2)	1.6	2.9
Tax effect of movements in the cash flow hedge reserve	(26.5)	(19.5)	13.1	13.3	0.3
Total cash flow hedge movement	68.1	50.3	(33.6)	(32.2)	(6.3)
Movement in cost of hedging reserve	(0.8)	3.9	2.7	(4.8)	-
Tax effect of movements in the cash flow hedge reserve	0.2	(1.1)	(0.8)	2.3	-
Movement in share of reserves of associate and joint ventures	-	-	-	-	0.4
Movement in foreign currency translation reserve	-	-	-	-	0.8
Items that may be reclassified subsequently to the income statement	67.5	53.1	(31.7)	(34.7)	(5.1)
Total other comprehensive income/(loss)	28.7	831.2	(664.0)	28.3	1,192.5
Total comprehensive income for the period, net of tax attributable to the owners of the parent	220.3	1,297.8	(470.1)	551.8	1,842.6

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.

Group statement of changes in equity	2022 $M	2021[1] $M	2020 $M	2019 $M	2018 $M
At 1 July	7,929.5	6,630.7	6,032.9	5,682.1	4,029.0
Profit for the period	191.6	466.6	193.9	523.5	650.1
Other comprehensive income/(loss)	28.7	831.2	(664.0)	28.3	1,192.5
Total comprehensive income	220.3	1,297.8	(470.1)	551.8	1,842.6
Reclassification to gain on sale of associate	-	-	-	-	8.5
Shares issued	1.0	0.6	1,210.4	64.0	55.9
Long-term incentive plan	0.1	0.4	0.2	0.1	0.2
Dividend paid	-	-	(136.3)	(265.1)	(254.1)
At 30 June	8,150.9	7,929.5	6,637.1	6,032.9	5,682.1

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

Group balance sheet	2022 $M	2021[1] $M	2020 $M	2019 $M	2018 $M
Non-current assets					
Property, plant and equipment					
Land	4,319.1	4,705.7	3,931.1	4,645.4	4,625.3
Buildings and services	1,553.3	1,079.9	1,140.7	1,056.7	961.8
Infrastructure	616.6	551.7	487.5	403.1	356.2
Runways, taxiways and aprons	398.5	389.1	378.3	346.5	351.5
Vehicles, plant and equipment	98.6	100.1	123.2	125.4	83.2
	6,986.1	6,826.5	6,060.8	6,577.1	6,378.0
Investment properties	2,897.4	2,641.4	2,641.4	1,745.4	1,425.6
Investment in associate and joint ventures	166.5	154.4	114.7	105.7	104.4
Derivative financial instruments	28.1	29.2	230.5	162.6	110.4
	10,078.1	9,651.5	9,047.4	8,590.8	8,018.4
Current assets					
Cash	24.7	79.5	765.3	37.3	106.7
Inventories	-	-	-	-	0.2
Trade and other receivables	28.5	25.4	25.4	69.0	71.5
Taxation receivable	21.6	20.9	21.6	-	-
Derivative financial instruments	-	-	15.4	-	-
	74.8	125.8	827.7	106.3	178.4
Total assets	10,152.9	9,777.3	9,297.2	8,697.1	8,196.8
Shareholders' equity					
Issued and paid-up capital	1,680.2	1,679.2	1,678.6	468.2	404.2
Cancelled share reserve	(609.2)	(609.2)	(609.2)	(609.2)	(609.2)
Property, plant and equipment revaluation reserve	5,040.2	5,099.9	4,333.7	4,968.8	4,913.9
Share-based payments reserve	2.1	2.0	1.6	1.4	1.3
Cash flow hedge reserve	17.7	(50.4)	(100.7)	(67.1)	(38.2)
Cost of hedging reserve	(1.7)	(1.1)	(3.9)	(5.8)	-
Share of reserves of associate and joint ventures	50.9	37.0	28.8	28.8	28.8
Retained earnings	1,970.7	1,772.1	1,308.2	1,247.8	981.3
	8,150.9	7,929.5	6,637.1	6,032.9	5,682.1
Non-current liabilities					
Term borrowings	961.0	1,172.8	1,824.4	1,748.6	1,893.5
Derivative financial instruments	15.7	67.9	134.6	88.4	38.9
Deferred tax liability	411.9	278.3	231.7	265.3	251.4
Other term liabilities	3.3	2.8	2.1	1.9	1.8
	1,391.9	1,521.8	2,192.8	2,104.2	2,185.6
Current liabilities					
Accounts payable	87.1	103.4	106.3	102.4	148.0
Taxation payable	-	-	-	15.3	12.9
Derivative financial instruments	0.9	1.9	3.0	-	1.3
Short-term borrowings	515.6	220.0	320.8	441.8	166.8
Provisions	6.5	0.7	37.2	0.5	0.1
	610.1	326.0	467.3	560.0	329.1
Total equity and liabilities	10,152.9	9,777.3	9,297.2	8,697.1	8,196.8

1 The financial year 2021 has been restated following the IFRIC decision on cloud computing. Refer to note 2 of the financial statements.

Group statement of cash flows	2022 $M	2021 $M	2020 $M	2019 $M	2018 $M
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers	287.0	271.2	586.0	756.0	674.0
Interest received	0.3	4.9	1.6	2.0	2.0
	287.3	276.1	587.6	758.0	676.0
Cash was applied to:					
Payments to suppliers and employees	(134.6)	(116.5)	(242.5)	(203.6)	(180.5)
Income tax paid	-	(0.6)	(94.2)	(101.1)	(96.4)
Interest paid	(51.5)	(98.0)	(75.1)	(77.4)	(77.9)
	(186.1)	(215.1)	(411.8)	(382.1)	(354.8)
Net cash flow from operating activities	101.2	61.0	175.8	375.9	321.2
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment	0.4	0.4	0.1	-	-
Proceeds from sale of investment property	-	-	-	1.5	-
Proceeds from sale of investment in associate	-	-	-	-	357.4
Dividends from associate and joint ventures	3.0	5.0	14.9	9.2	15.4
	3.4	5.4	15.0	10.7	372.8
Cash was applied to:					
Purchase of property, plant and equipment	(224.8)	(141.9)	(240.5)	(239.1)	(310.3)
Interest paid – capitalised	(8.0)	(6.5)	(11.8)	(7.0)	(8.8)
Expenditure on investment properties	(39.8)	(58.1)	(136.1)	(81.0)	(77.1)
Investments in associates and joint ventures	(14.0)	(15.4)	(23.2)	(2.3)	-
Costs relating to sale of investment of associate	-	-	-	-	(10.1)
	(286.6)	(221.9)	(411.6)	(329.4)	(406.3)
Net cash applied to investing activities	(283.2)	(216.5)	(396.6)	(318.7)	(33.5)
Cash flow from financing activities					
Cash was provided from:					
Increase in share capital	-	-	1,178.1	-	-
Increase in borrowings	200.6	105.0	125.0	150.0	301.1
Settlement of cross-currency interest rate swaps	(1.4)	79.6	-	-	-
	199.2	184.6	1,303.1	150.0	301.1
Cash was applied to:					
Decrease in borrowings	(72.0)	(714.9)	(250.0)	(75.0)	(329.0)
Dividends paid	-	-	(104.3)	(201.6)	(198.2)
	(72.0)	(714.9)	(354.3)	(276.6)	(527.2)
Net cash flow applied to financing activities	127.2	(530.3)	948.8	(126.6)	(226.1)
Net increase/(decrease) in cash held	(54.8)	(685.8)	728.0	(69.4)	61.6
Opening cash brought forward	79.5	765.3	37.3	106.7	45.1
Ending cash carried forward	24.7	79.5	765.3	37.3	106.7

Five-year summary CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

Capital expenditure	2022 $M	2021 $M	2020 $M	2019 $M	2018 $M
Aeronautical	125.6	48.1	205.0	106.0	280.6
Retail	0.4	0.1	14.0	19.0	12.5
Property development	54.8	72.6	146.6	87.8	80.2
Infrastructure and other	67.7	75.1	52.7	46.0	20.8
Car parking	11.5	1.2	14.7	25.3	11.1
Total	260.0	197.1	433.0	284.1	405.2

Passenger, aircraft and MCTOW (maximum certificated take-off weight)	2022	2021	2020	2019	2018
Passenger movements					
International	1,340,875	602,125	8,473,946	11,517,988	11,266,382
Domestic	4,261,271	5,841,514	7,047,108	9,593,625	9,263,666
Aircraft movements					
International	18,315	15,106	44,962	57,082	55,693
Domestic	67,748	83,583	94,175	121,689	118,583
MCTOW (tonnes)					
International	2,115,127	1,771,014	4,669,929	5,894,112	5,798,018
Domestic	1,343,150	1,637,867	1,830,711	2,372,412	2,341,699

Auckland Airport